**DEPARTMENT OF THE NAVY**
HEADQUARTERS UNITED STATES MARINE CORPS
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MARINE CORPS ORDER 7010.19

From: Commandant of the Marine Corps
To: Distribution List

Subj: MARINE CORPS COMMUNITY SERVICES (MCCS) FINANCIAL MANAGEMENT PROCEDURES (SHORT TITLE: MCCS FINANCIAL MANAGEMENT PROCEDURES)

Ref: (a) MCO P1700.27B
(b) NAVMC Dir 5210.11E
(c) SECNAV M-5210.1
(d) DOD Instruction 1015.10, "Programs for Military Morale, Welfare, and Recreation (MWR)," November 3, 1995
(e) DOD Instruction 1015.15, "Procedures for Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources," March 20, 2008
(f) MCO 1700.30
(g) Pub. Law 104-134, 110, Stat. 1321, Debt Collection Improvement Act of 1996
(h) MCO P12000.11A
(i) MCO 5200.24D
(j) DOD Instruction 1330.09, "Armed Services Exchange Policy," December 7, 2005
(k) DOD Instruction 7600.6, "Audit of Nonappropriated Fund Instrumentalities and Related Activities," January 16, 2004
(l) MCO 7020.8D
(m) MCO 7000.19
(n) DOD 7000.14-R, Volume 13, "Nonappropriated Funds Policy and Procedures," August 22, 1994
(o) DOD 4000.25-1-M, "Military Standard Requisitioning and Issue Procedures (MILSTRIP)," April 28, 2004
(p) DOD 4160.21M, "Defense Materiel Disposition Manual," August 18, 1997
(q) MCO P11240.106B
(r) MCO P10150.1
(s) MCO 8300.1C
(t) SECNAVINST 4355.18A
(u) MCO 4855.10B

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(v) MCO P10120.28G
(w) NAVMEDCOMINST 5360.1
(x) ASN Memo of 12 Oct 04 "Implementation of Uniform Funding and Management of Morale, Welfare and Recreation" (NOTAL)
(y) Pub. Law 107-314, Section 323, Uniform Funding and Management of Morale, Welfare, and Recreation Programs
(z) 10 U.S.C. 2783
(aa) OASD Memo of 7 Nov 07 "Department of Defense Counternarcotics Fiscal Year 2008 Execution Requirements" (NOTAL)

Encl. (1) MCCS Financial Management Procedures

1. Situation. The enclosure establishes organizational, operational and financial guidance for MCCS programs and activities to ensure standardization throughout the Marine Corps.

2. Mission. To publish financial guidance to implement relevant, sound accounting, and financial procedures and practices within MCCS.

3. Execution. This Order reflects higher headquarters guidance and policy revisions. Please review in its entirety.

a. Commander's Intent and Concept of Operations

(1) Commander's Intent

(a) This Order complies with and conforms to the regulatory requirements stated in references (a) through (aa).

(b) This Order updates information and guidance stated in the references.

(c) This Order mandates that commanders ensure the policies stated in this Order are used to maintain and reinforce financial management policies and procedures in MCCS operations.

(2) Concept of Operations

(a) The non-appropriated funds (NAF) that MCCS generates should be managed carefully to ensure the installation commander would always be able to offer a substantive array of programs to support Marines and their families, thus contributing to higher mission readiness and retention.

(b) The appropriated funds (APF) to support MCCS programs should be managed carefully, in addition to available NAF to maximize the MCCS mission.

b. Subordinate Element Missions

(1) Deputy Commandant for Manpower and Reserve Affairs (DC, M&RA). The DC, M&RA provides oversight for all issues pertaining to MCCS financial policies and procedures.

(2) Director, Personal and Family Readiness Division (MR). The Director, MR Division is the program sponsor and serves as the Marine Corps subject matter expert on financial management issues. In this capacity, MR is responsible for:

(a) Providing executive leadership with guidance in all matters of financial management.

(b) Providing policy and procedures for budget and accounting controls over NAF funds.

(c) Providing analysis on the financial implications of proposed courses of action within the MCCS activities.

(d) Establishing the NAF Financial Management Policies used throughout the MCCS activities.

(e) Prescribing standardized accounting treatments for the MCCS NAF activities.

(f) Providing analysis and long range financial planning of government appropriations.

(g) Establishing and disestablishing Nonappropriated Fund Audit Instrumentalities (NAFIs).

(3) Installation Commander. Commanders of Marine Corps installations with authorized MCCS programs are responsible for establishing and maintaining an MCCS financial management program for installation MCCS NAF activities.

(a) Ensure all rules and regulations pertaining to the operation of MCCS programs are observed.

(b) Meet standards established for MCCS activities.

(c) Establish and maintain short and long term plans for installation MCCS Programs per CMC (MR) plans and MCCS Board of Directors direction.

(d) Fund MCCS programs with proper fund sources. Ensure respective funding streams (i.e., both APF and NAF in areas of personnel, training, logistics, and facilities) are identified in annual budgets to meet MCCS goals. Budget requirements will be developed to ensure adequate support is given to the installation's tenant operational forces.

(e) MCCS support shall be provided to all authorized users assigned to or supported by the installation.

(f) Implement MCCS programs using best business management practices to fulfill local needs.

(g) Ensure that sufficient NAF, coupled with available APF, are generated to sustain MCCS designated MWR programs.

(h) Implement an MCCS management plan that contains financial performance metrics that can be analyzed and benchmarked.

(4) Installation Assistant Chief Of Staff (AC/S) MCCS or MCCS Director. The AC/S MCCS or MCCS Director shall be responsible for the overall program operation and accountability of the MCCS activity. In executing these responsibilities the AC/S or MCCS Director shall perform or cause to be performed the following specific duties:

(a) Ensure all rules and regulations pertaining to the operation of MCCS programs are observed.

(b) Meet or exceed standards established for MCCS activities.

(c) Develop short and long-term (5 year) plans for installation MCCS Program. Plans shall include goals, specific measurable objectives and action plans with milestones identified.

(d) Provide market-driven MCCS programs.

(e) Seek cost-effective MCCS service alternatives, where possible.

(f) Provide comparable well-rounded MCCS programs to all authorized users.

(g) Implement MCCS programs using best business management practices to fulfill local needs.

(h) Generate adequate NAF, coupled with available APF, to ensure that MCCS MWR programs are self-sustaining.

(i) Serve as the custodian of all funds, property, and equipment belonging to the MCCS activity. This entails a fiduciary responsibility. In executing these duties, the AC/S or MCCS Director may designate deputy custodians, as deemed appropriate.

(j) Ensure MCCS establishes a performance management plan that contains financial performance metrics that can be analyzed and benchmarked.

(5) MCCS Finance Officer. MCCS Finance Officer is responsible for establishing and maintaining a MCCS financial management program for installation MCCS activities.

(a) Ensure continually updated financial reporting to provide accurate management information, track performance, and plan for improvement regarding both NAF and APF.

(b) Ensure that a routinely conducted financial analysis of the installation MCCS to include: P&L analysis, balance sheet analysis, cash flow review, and capital expenditure review.

4. Administration and Logistics. Submit all change recommendations regarding this Order via the appropriate chain of command to CMC (MRF). Recommendations should be submitted in writing and should include supporting rationale.

5. Command and Signal

a. Command. This Order is applicable to the Marine Corps Total Force.

b. Signal. This Order is effective on the date signed.

R. S. COLEMAN
Deputy Commandant for
Manpower and Reserve Affairs

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MCCS POLICY MANUAL

RECORD OF CHANGES

Log completed change action as indicated.

| Change Number | Date of Change | Date Entered | Signature of Person Entering Incorporated Change |
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# Chapter 1

## Introduction

1. Purpose

a. To provide a general overview of Marine Corps Community Services (MCCS) Financial Management Procedures.

b. The importance of sound accounting and financial management procedures and practices within MCCS cannot be overstated. Because most decisions made by management have a financial impact; accurate, timely, and relevant financial information is needed to support good decisions.

2. General Information. MCCS Financial Management Procedures, as set forth herein, shall agree with published higher authority statutes, directives, policies, and procedures. Marine Corps procedures reflect management requirements published by higher authority, incorporate an effective system of internal controls, and comply with Generally Accepted Accounting Principles (GAAP). GAAP conventions, rules, and procedures provide MCCS with a standard measure for both internal and external presentation of financial data and comply with statutory and regulatory financial reporting.

3. Scope and Applicability. The MCCS financial management procedures apply to all MCCS Programs and those NAFIs under the cognizance of MCCS. While this order is intended to facilitate sound financial management, it must be used in conjunction with other applicable MCCS policies and Department of Defense (DOD) Instructions.

4. Uniformity and Comparability of MCCS Financial Management Systems. Uniformity and comparability of the Nonappropriated Fund (NAF) Financial Management System (FMS) is important in order to produce accurate and useful financial statements within MCCS and standard financial reporting within DOD. All such systems will (for reporting purposes) use some common characteristics.

a. These characteristics include:

(1) comply with GAAP;

(2) utilize a uniform chart of accounts;

(3) collect data via bona fide primary source documents;

(4) record, summarize, and report financial information in a uniform manner.

b. The following operating objectives will be pursued to allow MCCS to provide uniform financial presentations to customers while maintaining a flexible system that can be adapted to support decision-makers at all levels of the organization.

(1) MCCS will utilize a single NAF FMS and continue to use Standard Accounting, Budgeting and Reporting System (SABRS) as the Appropriated Fund (APF) accounting system.

(2) The FMS will be compatible with all other information systems operated by MCCS.

(3) The FMS will be a commercial off-the-shelf system.

(4) The FMS should be flexible enough to allow different financial reporting structures at the installation level and a common reporting structure for MCCS-wide reports.

(5) MCCS will adapt data elements within SABRS to satisfy MCCS specific APF reporting requirements.

# Chapter 2

## Accounting Methods, Structure, Presentation, and Analysis

### 1. Accounting Methods

a. Accounting Year. The NAF accounting year for all MCCS programs is presented in reference (a) and the MCCS intranet.

b. Uniform FMS

(1) A common chart of accounts and uniform accounting structure ensures that all MCCS organizations have the ability to report the operational results of its operations, activities and programs, and one or more of its subordinate entities, in a consistent and comparable fashion.

(2) The transactions are recorded in the books of original entry, which constitute the official accounting records of the MCCS organization. The books of original entry consist of a group of standard subsidiary ledgers that reflect each transaction related to a control general ledger account. These subsidiary ledgers are summarized by account number and recorded in the general ledger monthly. All financial statements prepared will reflect the financial information as it is recorded in the general ledger. Official accounting records shall be maintained in accordance with references (b) and (c).

c. Uniform Chart of Accounts

(1) General. Provided to users throughout the MCCS organization, consists of account numbers that identify the type of account. This construction of the account numbers will assist all accounting personnel in the proper coding of financial transactions so that the accounts and records of an activity are consistent.

(2) Authorized Accounts. The Uniform Chart of Accounts and definitions to be used by all MCCS organizations will be updated and presented by 1 October each year by CMC (MRF). It can be found on the MCCS Intranet. The use of additional account numbers will require the prior approval of CMC (MRF).

2. Accounting Structure. The organization structure (ORG) is a combination of Company code (COM), Cost Center code (CCTR), and the Command Key (CK). The Company code reflects the installation, the Cost Center code reflects the activity, and the Command Key helps to identify the activity location. The FMS uses the ORG dimension accounting structure to collect and report financial information. This concept requires development of a detailed organization structure that will be updated and presented by 1 October each year by CMC (MRF). It will be located on the MCCS Intranet.

a. ORG Reporting

(1) Cost centers are related to MCCS organization structures (ORGs) that allow each MCCS to account to the degree and level necessary for management to make accurate decisions and to allow consistent accountability throughout the Marine Corps. The standard cost center number defines an activity within the MCCS organization and the ORG code (COM-CCTR-CK) defines the business activity at the local MCCS level.

(2) The NAF financial organization within the FMS will mirror the operational organization of MCCS with branches corresponding to the program components of the organization. The NAF financial organization will also mirror the APF financial organization in order to allow managers to identify the total resources associated with a given activity.

b. Installations are allowed the flexibility to develop their ORG structure as long as the Cost Center number reflects the activity. Below are Cost Center ranges and their associated activity:

0000-Balance Sheet
0001-0999 Military Clothing & DSCP
1000-1999 Retail
2000-2999 Food & Hospitality
3000-3999 Child Care & Youth
4000-4999 Billeting
5000-5999 Recreation
6000-6999 Family Readiness Support
7000-7999 Services
8000-8999 Modernization
9000-9999 MCCS Executive Oversight and Direct Command Support

c. Direct or Indirect Cost Centers. Cost Centers are classified as direct or indirect. The following definitions explain the distinction between the two categories of cost centers:

(1) Direct. An operation in which all phases are under the direct control of the MCCS activity personnel.

(2) Indirect. An operation in which a firm is placed under a contract with a MCCS activity for the complete operation of a function or activity with all work performed or service rendered by employees of the contract or concessionaire. The MCCS activity requires payment from the contractor or concessionaire for which work or service was performed.

d. Branch Codes and Major Cost Centers. Below is a brief description of branches and major cost centers:

(1) Retail Branch Code 01. The Retail Branch is comprised of the program components of retail business operations located at an installation MCCS.

(2) Main Store (1011). This cost center is used to define the merchandising activity generally referred to as the main store. The cost center should be used when it provides for the best accountability and control. This is greatly influenced by the architectural layout of the facility. At least one cost center is required; however, other more definitive cost centers should be used for each department that can be separately controlled. Sales, cost of goods sold and other revenues and operating expenses associated with this location should be recorded to this cost center.

(3) Fuel (1031). Sales, cost of goods sold and other revenues and operating expenses associated with this fuel activity should be recorded to this cost center.

(4) Marine Mart (1058). An activity or separately controlled department selling "convenience" health, beauty, food, and other retail merchandise. Sales, cost of goods sold and other revenues and operating expenses associated with this location should be recorded to this cost center.

(5) Branch Store (1073). A merchandise activity, which is a satellite of a main store but functions independently enough to provide for separate accountability and control. Sales, cost of goods sold and other revenues and operating expenses associated with this location should be recorded to this cost center. At least one cost center is required; however, other more definitive cost centers should be used for each department that can be separately controlled.

(6) Retail Overhead (1098). This cost center captures revenues and expenses, not specifically or wholly attributed to a single subordinate retail responsibility center.

(7) Food & Hospitality Branch Code 02. The Food & Hospitality Branch is comprised of the program components of food and lodging business operations located at an installation MCCS.

(8) Officers Club (21XX). An activity primarily engaged in the sale of dining, food service, and/or bar operations to authorized club patrons. Normally, such activities also account for their own overhead costs.

(9) SNCO Club (22XX). An activity primarily engaged in the sale of dining, food service, and/or bar operations to authorized club patrons. Normally, such activities also account for their own overhead costs.

(10) Enlisted Club (23XX). An activity engaged in the provision of special events, private parties, catering operations, etc. Normally, such activities also account for their own overhead costs.

(11) Consolidated Club (24XX). An activity providing games or events (such as bingo) involving cash or other prizes to authorized consolidated club patrons. Normally, such activities also account for their own overhead costs.

(12) Recreation Branch Code 05. The Recreation Branch is comprised of the program components of recreational business operations located at an installation MCCS. Recreation Business includes Auto Skills, Bowling Centers, Golf Courses, Theaters, Leisure Travel, and Information, Travel, and Tour Offices among others.

(13) Intramural Sports (5100). An activity or department supporting individuals and teams, to enhance individual fitness, and unit teamwork and readiness. Includes but is not limited to equipment requirements, athletic staff salaries, supplies, contracted officials, training, and uniforms.

(14) Fitness Centers (5511). An activity to record revenue and expense transactions for the operation of fitness centers. Use this activity to record racquetball courts, spas, and other cost associated with Fitness Center operations.

(15) Community Recreation Centers (5530). The operation of a recreation center targeted to active duty personnel that offers patrons programmed activities staffed with trained personnel. This activity includes: on and off base MCCS information, informal group activities, skills classes, special events, table games, amusement machines, etc.

(16) Auto Skills (5535). The operation of automotive skills (hobby) centers where individuals exercise self-help in the repair of privately owned vehicles. Includes stall and equipment rental, associated with the operation of an Automotive Skills Center.

(17) Outdoor Recreation Equipment Checkout (5580). Operation of programs that provide instruction and structured outdoor recreation activities (archery, hunting, fishing, rappelling, hiking, backpacking, bicycling, boating, canoeing, camping jamborees, water and snow skiing, etc.)

(18) Golf Course (5860). This cost center will be used to capture income and expenses directly associated with the operation of golf courses.

(19) Services Branch Code 07. The Services Branch is comprised of the program components of retail service operations located at an installation MCCS. Examples of Retail Services offered are Barber Shops, Laundry & Dry Cleaning, Video Rental, Vending and Personal Telecommunications Services.

(20) Vending (70XX). Income and expenses directly attributed to vending that cannot be specifically or wholly charged to a subordinate cost center.

(21) Laundry and Dry Cleaning (7742). An activity or department providing full service laundry and dry cleaning services.

(22) Military Clothing Branch 08. The Military Clothing Branch is comprised of the program components of military clothing retail operations located at an installation MCCS.

(23) Recovered Military Clothing (0050). This cost center is used to define the area within the main clothing sales store which sells recovered DSCP-type clothing.

(24) DSCP Military Clothing (Branch Stores) (0010). This cost center is used to define the area within the branch military clothing sales stores, which sells new -type clothing and accessories.

(25) Support Branch Code 09. The Support Branch is comprised of the revenues and expenses that cannot be specifically or wholly attributed to a single cost center or other branch code.

(26) Finance (9010). This cost center is used to define the operation of the activity or functions involved in accounting, financial reporting, financial analysis, insurance, cash management, or other financial record keeping.

(27) Personnel (9011). The activity or functions performed to administer, manage, control, and maintain records of MCCS personnel, classification, payroll, and employee benefits.

(28) Marketing (9015). Functions performed in determining the demographics and geographics of the eligible patrons base; determining the types of programs, products, facilities, and services desired by patron's through surveys and other methods; communication with the patron base; and consumer and public affairs.

(29) Management Analysis and Control (9016). Functions performed for management analysis and control internal to MCCS to include: appraising internal controls, evaluating effectiveness of programs and policies; determining the integrity and reliability of financial and other data, and reviewing compliance with applicable laws, regulations, and policies.

(30) Maintenance (9017). This cost center is used for those operations or functions performing NAF maintenance and repair. This will be used when costs of the function cannot be specifically identified to another cost center.

3. Profit and Loss Statement Levels of Reporting

a. Levels of Reporting. The following are examples of the various levels of profit and loss statement reports, which are available within the FMS. These reports may be used to evaluate MCCS programs or activities.

(1) STDP&L04: Is a Cost Center by Department Profit and Loss Statement for any type of activity that is physically segregated or designated as independent.

(2) STDP&L08: Is a Branch Level Profit and Loss Statement for each of the branch operations which reflects the applicable sales, cost of sales, operating expenses, other income or deductions and net operating profits.

(3) STDP&L22: Is a Branch Level Profit and Loss Statement for each of the branch operations, excluding Military Clothing, which reflects the applicable sales, cost of sales, operating expenses, other income or deductions and net operating profits.

4. Presentation. The financial statements of any organization should always show a clear, accurate, and concise picture of the financial condition of the organization. Information must be shown in a logical and consistent sequence to provide management with data to make timely, informed decisions.

a. Balance Sheet. The balance sheet reports the financial condition at a specific point in time. Ultimately, every financial transaction affects the balance sheet. It represents the cumulative total of all transactions that have occurred since the NAFI was established. There will be a separate balance sheet for each NAFI.

b. Balance Sheet Form. The balance sheet has three major components: assets, liabilities, and net worth.

(1) Content. The asset, liability, and net worth sections of the balance sheet contain line items that summarize similar types of accounts. The asset and liability sections are each divided into two categories - current and noncurrent.

(a) Assets. Assets are resources owned by or owed to the entity.

1. The five customary subdivisions of current assets are cash, short-term investments, receivables, inventory, and prepaid expenses.

2. Noncurrent assets are normally grouped into: long-term investments, long-term receivables, property, and facilities.

(b) Liabilities. Liabilities represent obligations resulting from past transactions to pay sums of money, convey other assets, or perform certain services.

1. Current liabilities are short-term debts and unearned revenues that are to be paid out of current assets or are to be transferred to income within one year. Current liabilities have no liquidity order, but are customarily listed in the following order: accounts payable, payroll taxes, group benefits withheld, group benefits payable, intra MCCS payables, accrued liabilities, unearned revenue, funds held in trust and contingent liabilities.

2. Long-term liabilities are not due or payable within the next 12 months and are grouped on the balance sheet under long-term payables.

3. Contingent Liabilities are existing conditions, situations, or circumstances involving uncertainty as to possible gain or loss that will ultimately be resolved when one or more future events occur or fail to occur. Accrued loss contingent liabilities where the outcome is probable and the amount is reasonably estimated, should be reported on the financial statements. CMC (MR) written approval is required prior to any entry for a contingent liability.

(c) Net Worth. Net Worth represents the proprietary interest (ownership) in the activity. Net worth is what remains after the assets of the company pay off all liabilities of the

company and any profits earned during the current fiscal year. The net worth portion of the balance sheet is divided into operating capital and undistributed profit.

1. Operating Capital. The operating capital represents the balance of MCCS proprietary interests in the assets of the company after all liabilities are covered. CFO will assign, in writing, authority to authorize the execution of equity transactions to the Senior Financial Manager, NAF Financial Analysis & Reporting. The authorizing criteria requirement has been determined at: capital must be greater than one percent of installation capital assets and greater than five percent of the prior year's net profit or loss.

2. Undistributed Profit. This account is used to accumulate year-to-date net profit. At the end of each fiscal year, this balance is transferred to the operating capital account.

(2) Detailed Balance Sheet. The detailed balance sheet will show every balance sheet account that has a balance. The purpose of such detail is to provide a worksheet for analysis and review. The context of the detailed balance sheet format is:

(a) title and date;

(b) category or classification of accounts description;

(c) current year's individual account balance;

(d) prior year's individual account balance;

(e) dollar variance of two years' balances;

(f) percentage variance of two years' balances;

(g) dollar total of category or classification.

c. Balance Sheet Control Accounts and Subsidiary Records. GAAP dictate tasks performed at the monthly and year-end accounting period closures. These procedures ensure that necessary controls are maintained throughout the accounting period. The MCCS Finance Officer is responsible for the balance sheet control accounts and each associated subsidiary record.

All balance sheet control accounts must be reconciled to the detailed subsidiary records every month, and at year-end when CMC (MR) will establish a closing deadline. The MCCS Finance Officer shall maintain these statements per reference (c) SSIC 7010.1. Quarterly, the AC/S or MCCS Director and the MCCS Finance Officer, or their designees, will review aged accounts to assure the validity of the aged balances in order to initiate corrective action. The following balance sheet control accounts require detailed subsidiary records:

| General Ledger Account Title | Subsidiary |
|---|---|
| Cash on Hand | Custody Receipts and cash counts |
| Local Cash | Financial institution statement |
| Cash Concentration Account | In-house bank statement |
| Investments | Outstanding short-term and long-term investment listing |
| General Accounts Receivable (A/R) | Individual detailed record (with aging schedule) |
| Claims Against Employees | Individual detailed record for each control account (with aging schedule) |
| Intra-MCCS System Receivable | Individual detailed record for each control account (with aging schedule) |
| Accrued Income Receivable | Individual detailed record for each control account (with aging schedule) |
| Inventories | Cost or retail inventory records (overages or shortages must be recorded prior to the fiscal year closing) |
| Prepaid Expense | Individual detailed record for each control account |

| | |
|---|---|
| Payroll Liabilities | Individual detailed record for each control account (with aging schedule) |
| Unearned Income | Individual detailed record for each control account (with aging schedule) |
| Long-Term Liabilities | Individual detailed record for each control account (with aging schedule) |
| Net Worth | Prepare a net worth reconciliation schedule. All entries other than net profit or loss MUST be explained in detail. |
| Property & Minor Facilities In-Progress | Individual detailed record for each control account. |
| Property & Accumulated Depreciation | Fixed asset subsystem |

d. Profit and Loss Statements (P&L). The P&L reports the financial results of MCCS operations for a period of time. GAAP mandates that a FMS's records and financial reports be maintained and presented under the principle of matching related revenues and expenses within the same accounting period. MCCS organizations will follow this principle since it provides the most accurate and comprehensive financial data on which management may make informed business decisions. Therefore, profit and loss statements will be produced for total MCCS and each activity or operating branch within MCCS. In addition, each activity or operating branch may be provided a profit and loss statement for each ORG or group of ORGs, as desired, within each NAFI. CMC (MRF) will prepare and provide a P&L statement for the MCCS consolidated company. CMC (MRF) shall maintain these statements per reference (c) SSIC 7010.1.

5. Financial Analysis

a. General. An important factor in an organization's operational success is management's ability to effectively analyze trends and react to business indicators. In developing and presenting financial data, emphasis should be given to a

fundamental principle of management by exception. This principle holds that management should devote detailed attention chiefly to the exceptions, rather than the routine items.

b. Operating Goals. Each MCCS Program is required to meet certain financial objectives to ensure the long-term viability of MCCS. These objectives are outlined in references (d), (e), and (f). MCCS revenue generating activities have the dual requirement of offering savings to our patrons while generating a profit to sustain the non-revenue generating MCCS programs. Non-revenue generators must meet the requirement of staying within the operating budget parameters while sustaining world-class customer service. The emphasis on customer savings or profit varies with the type of activity and local economic conditions. The operating profit and customer savings goals apply to the overall MCCS operation except where specifically assigned to a branch or activity in the organization. It is the commander's responsibility to determine how to best balance program financial performance with cost savings to the customers, across all MCCS activities. While the short-term benefits of cost savings are enticing, MCCS leaders must develop long-term financial plans that accurately estimate the financial performance required to maintain a viable, well capitalized program. With this information, the commander will make well-informed decisions for Marines today, as well as in the future.

c. Responsibilities

(1) MCCS Board of Directors (BOD). The Board is chartered to oversee the development and execution of the MCCS programs. It will make decisions that ensure the long-term viability of the MCCS Program and maintain equitable program delivery across installations.

(2) MCCS Budget Oversight Committee (BOC). This is a permanent committee to the BOD. It is chartered to oversee development and execution of the MCCS APF and NAF budgets and develop financial strategies to support the strategic plan. This committee will maintain a process to periodically review financial performance, identify problems or areas for improvement, and recommend appropriate action to the BOD. It will also conduct an annual review of the MCCS NAF centrally managed funds and recommend assessment and premium changes as appropriate.

(3) Investment Oversight Committee (IOC). The IOC is chaired by the Fiscal Director of the Marine Corps (P&R) and oversees the safety and security of MCCS NAF Investments. The IOC reports annually to the BOD. The IOC periodically reviews and advises on the NAF investment portfolio structure by composition of investments, reviews investment goals, monitors return by investment type, and reviews risk vs. rate of return. The IOC also monitors requirements of reserve funds (construction, operating budget, insurance, medical and dental), collateralization requirements, monitors market trends, and unique situations such as yen fluctuation. The IOC also reviews and advises on the pension plan and employee 401(k) plan.

(4) Audit and Review Oversight Committee (AROC). This internal CMC (MR) senior level committee periodically reviews audit findings and action plans for compliance.

(5) CMC (MR) Program Manager. The Program Managers at headquarters should routinely review the financial performance of their program for all installations. The Manager will look for trends, identify best practices and ensure these improvements are explained to all other installation program managers.

(6) Assistant Chief of Staff (AC/S) MCCS or MCCS Director. The AC/S MCCS or MCCS Director of the installation will continually review financial performance of every program and balance customer expectations with the financial viability of the MCCS program. The AC/S MCCS or MCCS Director will manage MCCS programs in accordance with the commander's intent within acceptable business standards. MCCS Director in this Order refers to either the AC/S MCCS or MCCS Director, as appropriate.

(7) MCCS Finance Officer. The MCCS Finance Officer will continually update financial reporting in the system to provide accurate management information, track performance, and plan for improvement. The MCCS Finance Officer will also routinely conduct a financial analysis of the installation MCCS to include: P&L analysis, balance sheet analysis, cash flow review, and capital expenditure review.

(8) Activity Manager. The manager of each activity or program is responsible for financial analysis of their respective operation. The MCCS Finance Officer, or other appointed designee, will supply comprehensive, timely financial information as well as technical assistance in order to support sound business decisions.

6. Financial Performance Standards. Certain ratios and financial indicators will be used to ensure the MCCS organization is meeting minimum Marine Corps performance standards.

a. Profitability. Profitability is defined in other procedures at the product line, ORG, branch and installation level. These standards vary across the Marine Corps based on local economic conditions, installation preferences and customer service requirements. Given those detailed standards, the only universal profitability standard is at the installation level. Each installation should operate the entire MCCS organization as if it were a not-for-profit entity. In other words, the organization should generate enough profit (after all operating expenses), to fund investments in new programs and capitalization requirements.

b. Current Ratio. The current ratio measures the margin of safety present to cover any possible reduction of current assets. It is calculated by dividing current assets by current liabilities. An MCCS organization should maintain at least a 2:1 current ratio to ensure long-term financial stability.

c. Acid Test Ratio. The acid test ratio shows the dollars of liquid assets (convertible into cash within 30 days) available to cover current debt. It is calculated as current assets minus inventories and prepaid expenses, divided by current liabilities. An MCCS organization should maintain a 1:1 acid test ratio although temporary drops between 1:1 and 0.75:1 are acceptable given the seasonal demands of the retail business.

d. Capitalization Percentage. Given the diversity of installations and their respective financial capabilities, it is not prudent to establish the same annual capital budget for every installation based on sales. Instead, the capitalization goal will be based on the installation's percentage of undepreciated assets. Each installation will have a 3-year capitalization plan that schedules reinvestments with the goal of maintaining a 50% net book value on the aggregate fixed assets by class. This plan supports the replacement of damaged and deteriorated assets. The individual installations can consciously vary from this 50% goal based on the following factors:

(1) The dollar value of the projects previously transferred to headquarters for depreciation, which will eventually need to be recapitalized at the local level;

(2) The number of assets that continue to have a useful life after the book value reaches zero;

(3) The short-term and long-term program growth and associated capital requirements;

(4) Program changes, which make some assets obsolete and require additional investments for other purposes;

(5) The use of APF to purchase assets;

A sample capitalization worksheet is below:

| | | **CAPITALIZATION FORMULA** | |
|---|---|---|---|
| | | | |
| **Line#** | **ACCT** | **DESCRIPTION** | **INSTALLATIONS** |
| | | | |
| 1 | 1802 | ACCUM DEPRE PROP & EQUIP | $305,212.61 |
| 2 | 1813 | ACCUM DEPRE BUILDING | $9,799.34 |
| 3 | 1814 | DEPRE ALTERATIONS & IMPROVEMENTS. | $14,047.26 |
| 4 | | TOTAL DEPRECIATION(TDEPR) | $329,059.21 |
| | | | |
| 5 | 1801 | PROPERTY & EQUIPMENT | $414,985.44 |
| 6 | 1811 | BUILDINGS | $9,799.34 |
| 7 | 1812 | ALTERATIONS & IMPROVEMENTS | $19,410.89 |
| 8 | | TOTAL PROPERTY-(TPROP) | $444,195.67 |
| | | | |
| 9 | | PERCENTAGE OF ASSETS DEPRECIATED (TDEPR/TPROP=%DEPRECIATION) | 74.08% |
| 10 | | PERCENTAGE OF UNDEPRECIATED ASSET (1-%DEPRE) | 25.92% |

e. Operating Cash. MCCS Finance Officers shall monitor cash closely to ensure sufficient cash is available for operations, and that cash in excess of the working capital requirements is routinely used for capital improvements. MRF will semi-annually (January and July) determine if an installation has normal cash, high cash, or excess cash. If an installation has "high cash" the installation's high cash will be reported to the BOC in April and November.

(1) An installation with normal cash levels will have an Acid Test Ratio less than 2:1 at year-end and an aggregate book value of assets at or below 50%.

(2) An installation with "high cash" will have an Acid Test Ratio above 2:1 at year-end and an aggregate book value less than 50%. "High cash" installations are required to self-correct through operations or correct through capital investment

or use either the Short-Term or Long-Term Reserve for Capital Improvements. The installation will be given 12 months to self-correct "high cash". If the "high cash" is not corrected, then the installation will be required to brief the BOC for potential sweeping.

(3) An installation with "excess cash" will have an Acid Test Ratio greater than 2:1 and an aggregate book value of assets greater than 50%. "Excess cash" installations are required to self-correct through operations or correct through capital investment or use either the Short-Term or Long-Term Reserve for Capital Improvements. The installation will be given six months to self-correct "excess cash". If the "excess cash" is not corrected, then the installation's "excess cash" will be swept to the Central Construction Fund. The journal entry to record Short-Term Reserve for Capital Improvements to reserve funds set aside less than twelve months is:

| | | |
|---|---|---|
| Debit | 1120 | Short-Term Reserve for Capital Improvements |
| Debit | 3401 | Operating Capital |
| Credit | 1119 | Concentration Banking |
| Credit | 3151 | Reserve/Capital Improvement Fund |

For future, local capital requirements use the Long-Term Reserve for Capital Improvements account to reserve funds set aside longer than the next twelve months. The journal entry to record Long-Term Reserve for Capital Improvement is:

| | | |
|---|---|---|
| Debit | 1721 | Long-Term Reserve for Capital Improvements |
| Debit | 3401 | Operating Capital |
| Credit | 1119 | Concentration Banking |
| Credit | 3151 | Reserve/Capital Improvement Fund |

7. Establishment, Oversight, and Disestablishment of a NAFI. CMC (MR) has organizational responsibility for NAFI administration, management, and control with the exception of Chaplain's Religious Funds, Billeting Funds, and CWRA (Civilian Welfare and Recreation Association).

a. Establishment. Marine Corps installations or organizations wishing to establish a NAFI must request approval from CMC (MRF). The written approval to establish a NAFI shall specify the purpose and function, the authorized patrons, a financial plan, and the successor NAFI. The NAFI shall be classified in one of the six Program Groups specified in reference (c).

(1) One NAFI shall be established and maintained for each Program Group operated. Requests to establish a NAFI to support more than one Program Group shall be approved by the Assistant Secretary of the Navy (M&RA) and notification submitted to the Principal Deputy Under Secretary of Defense for Personnel and Readiness (PDUSD (P&R)).

(2) A successor NAFI shall be designated for each Program Group at CMC (MR). Successor NAFIs may also be designated at intermediate organizational echelons. Joint NAFIs shall have a successor NAFI established within each of the participating DOD Components.

(3) Responsibility for NAFIs of tenant units or organizations devolves upon the installation at which the unit or organization is stationed, unless an alternate agreement is executed by the organizations concerned. Tenant organizations shall be afforded the same facility use and program participation privileges as afforded to organizations or units of the parent installation. Per capita funding distributions shall count personnel of tenant organizations on the same basis as personnel of the parent installation.

b. Oversight. CMC (MR) is responsible for NAFI oversight and shall maintain a current listing classifying each NAFI by Program Group, identifying the successor NAFI, and insuring an installation advisory group (multi-disciplinary council) is appointed. The appointed advisory group shall ensure the NAFI is responsive to authorized patrons and the purposes for which it was created. The Installation Commander shall determine the composition, function, purpose, and appointment of members of the group.

c. Disestablishment. Upon disestablishment, excess NAFI assets or residual NAFI liabilities may be redistributed to other NAFIs within the Program Group, or otherwise disposed of by the successor NAFI, in accordance with the policies and procedures established by CMC (MR). A terminal audit shall be performed.

# Chapter 3

## Cash Management, Receipts and Expenditures

1. Cash Management. Cash management is a process of planning, controlling, and safeguarding cash assets. Management's goal is the most effective use of existing and anticipated cash resources. An organization's solvency and ability to purchase property, inventories, and pay other operating expenses depends on the control and management of cash.

a. Control of Cash

(1) Objective. Control over cash is a product of maintaining low risk, sufficient liquidity, maximizing return and minimizing risk associated with the management of cash. Efficient cash management includes measures that will:

(a) Prevent losses from fraud or theft.

(b) Give an accurate accounting of cash receipts, disbursements, and cash balances.

(c) Maintain sufficient cash to pay current obligations and meet contingencies.

(d) Prevent large amounts of cash from being held idle in bank accounts that could be used to improve programs.

(2) Internal Controls. The major steps in establishing internal controls over cash entail separation of functions, complete and accurate documentation, and physical protection. The application of these principles in building an adequate system of internal control over cash can best be illustrated by considering separately the various types of cash assets.

(a) All sales and cash receipts are recorded daily in the FMS by the accounting section.

(b) Each activity within MCCS submits a report of its daily operation. Each report will have all pertinent information and supporting documentation relative to the daily

transactions. Daily reports submitted by each activity may vary with the nature of the operation. The basic source documents utilized to account for sales and cash receipts also vary widely depending upon the type of cash register or Electronic Point Of Sale (EPOS) utilized, and the extent data transfer is automated to the FMS. All financial records, documentation, ledger books and receipts are maintained in accordance with references (b) and (c).

(c) Fundamental rules that must be adhered to in the accounting for, and safeguarding of cash, include the following:

1. Never transfer cash without physical verification of amounts and signed receipts.

2. Record cash receipts immediately.

3. Deposit each day's cash receipts intact.

4. Separate cash handling from recordkeeping.

5. Ensure segregation of duties involving transactions of cash.

6. Centralize receiving of cash as much as possible.

7. Locate cash registers so that customers can observe amounts recorded.

8. Ensure that cash on hand and in the bank is accurately stated and subject to appropriate safeguards.

9. Ensure cash disbursements are made only for authorized business purposes and have been properly recorded.

10. Reconcile bank statements of local financial institutions utilizing staff that is not responsible for cash handling or cash disbursements.

11. All change and petty cash funds are to be signed for by authorized employees and checked for approved amounts at least quarterly.

(3) Banking

(a) Deposits

1. All receipts will be turned in daily, or as soon as practical on the following workday, to the person designated to collect daily receipts. On days when unusually large amounts are received, receipts should be collected from cash registers as many times as may be necessary to prevent a considerable accumulation of cash.

2. All cash received each day from all sources (sales, receivables, deposits, etc.) shall be deposited in the bank in the exact amount of the day's receipts as soon as practical, not later than the following business day. Weekends and holidays are exempt. A separate deposit slip shall be prepared for each day's receipts.

3. Cash receipts need not be deposited daily when the amount is less than $250. However, the accumulation of undeposited receipts (exclusive of current day's receipts) at any time shall not exceed $250. When undeposited receipts are held at the activity, funds will be stored in a secure safe. The appropriate daily cash and sales reports must substantiate each day's deposits. Daily receipts will not be commingled.

4. A receipt shall be obtained for each bank deposit and shall be retained on file as an official record. A duplicate copy of the deposit slip shall be signed by the person preparing the deposit and retained until the deposit slip/receipt has been returned and verified correct. When a night depository is used, at least two persons shall accompany the deposit to the night depository. The operating manager or designee shall maintain a log that will record the date and time the deposit was delivered to the person designated to carry it to the night depository. Both individuals will sign the log at the time of departure as an acknowledgment of having received a locked bag for deposit. Bank deposit slips and night deposit log books shall be maintained in accordance with reference (c).

5. At year-end, cash collected on the last day of the business year shall not be deposited in the bank until after the official cash count has been completed on the day following the last day of the year. This cash will be recorded in the FMS as an undeposited receipt of cash.

(b) Concentration Banking. All NAFIs associated with MCCS will participate in the CMC (MR) central concentration banking system. Other NAFIs such as billeting funds and aero

clubs are encouraged to use the system to bolster returns on investments.

1. CMC (MR) Central Fund Checks. These checks will be used to liquidate authorized accounts payable obligations incurred in the normal business cycle by MCCS. Checks will be dated on the date they are prepared. No check will be dated on a Saturday, Sunday, or holiday. In addition, CMC (MR) Central Fund payroll checks will be used by MCCS activities on the automated payroll system to pay NAF employees. The MCCS Finance Officer or designee will assure that all checks are written against the concentration banking account. Also, the MCCS Finance Officer or designee will be responsible to ensure the following:

a. All checks will bear the name of Marine Corps Community Services.

b. Each of the following steps will be accomplished by a different person.

(1) Payment authorization;

(2) Check preparation;

(3) Check verification must be done by comparing the official check register from the FMS to the physical checks prior to initialing next to the electronic signature and prior to the issuance of the check(s).

2. Preparation of Checks.

a. Locally prepared CMC (MR) Central MCCS Fund checks should be kept to a minimum. NAFIs are responsible for purchasing specific laser check supplies (i.e. laser check stock paper and specific magnetic ink character recognition (MICR) cartridges) for use in the Accounts Payable laser printers located at individual NAFIs.

b. Each MCCS activity may prepare checks as long as the following requirements are met:

(1) Checks will be dated on the date they are prepared. No check will be dated on a Saturday, Sunday, or holiday.

(2) Checks will be prepared in numeric sequence through the end of each series assigned.

c. Spoiled, Voided, and Returned Checks. During the course of preparing checks, there will be occasions when a check(s) cannot be rendered as prepared. There will also be occasions when a check will be returned to the maker and the original transaction needs to be corrected in the installation's records. The following policies will be utilized when one of these situations occurs:

(1) Spoiled Checks. This classification covers two situations. The first situation may occur if the checks do not feed properly through the laser check printer. If this occurs, the checks must be re-printed. The second situation may occur when a check run is substantially wrong, i.e., wrong vendor or amount, and the decision is made to restore and reprocess check data files. This will have no adverse affect on the NAFIs account. All spoiled checks will be properly annotated and will be returned to the person responsible for check control. As stated in the Financial Management System (FMS) Users Guide located on the intranet.

(2) Voided Checks. The need to void an MCCS check may arise for several reasons; such as a check(s) is damaged when printed and/or signed, a check is illegible, a check is determined to be in error, or a check is returned to the maker. The check(s) will be voided and returned to the person responsible for check control as stated in the FMS Users Guide located on the intranet.

(3) Stop Payment. In the event it becomes necessary to stop payment on a check, the installation will notify CMC (MRF), in writing, to initiate the stop payment request with the bank. The installation will identify if the check is an accounts payable or payroll check, the check number, check date, name of payee, net amount of check, reason for stop payment, and the name of the person initiating the request. See the FMS Users Guide located on the intranet.

3. Electronic Funds Transfer. Electronic Funds Transfer (EFT) provides for electronic payments and collections. The FMS utilizes the Automated Clearing House (ACH) form of EFT as a payment method. The ACH will be used to liquidate authorized accounts payable obligations incurred in the normal business cycle by MCCS. ACH's will be dated on the date they are prepared. No ACH will be dated on a Saturday, Sunday, or

holiday. An ACH payment requires both the vendor's bank account number and routing information.

In addition, the MCCS Finance Officer or designee will be responsible to ensure the following:

a. Each of the following steps will be accomplished by a different person.

(1) payment authorization;

(2) ACH preparation;

(3) ACH verification must be done by comparing the vouchers selected for payment, the preliminary check register, the official check register and the remittance advice from the FMS.

4. Concentration Bank Account Reconciliation. CMC (MRF) will be responsible for reconciling the consolidated concentration bank account every month. Field organizations are responsible for reconciling their installation's concentration bank account every month. These reconciliations require review and approval from the installation MCCS Finance Officer.

5. Local Checking Accounts. The MCCS Finance Officer will limit the number of operating accounts maintained for each of the NAFIs serviced by the MCCS Organization.

6. Minimum Account Balance. Each activity that establishes a local checking account will ensure that it has chargeback capability. A minimum balance as determined by the activity will be retained in this account to cover any bank chargebacks that may occur. All cash that accumulates above this minimum balance will be transferred daily to the central checking account for treasury investment.

7. Insurance Coverage. In order to achieve maximum insurance coverage, the MCCS Financial Officer or designee will:

a. Ensure the following bank records (signature cards, applications for membership, etc.):

(1) Bear the name "Nonappropriated Fund Instrumentality";

(2) Record the "Public Unit" status;

(3) When applicable, show the identity of each NAFI participating in the account;

(4) Designate the Commandant of the Marine Corps as "successor in interest."

b. Where more than one NAFI participates in a bank account, the MCCS Finance Officer will be identified on bank records as the "Custodial Depositor" with primary signature authority and sole rights to withdrawal for the NAFI depositors on record with the bank. This arrangement allows up to $100,000 insurance per NAFI. An alternate signature authority should be identified on the bank records; ideally, the MCCS Director. Program managers, custodians, or NAFI treasurers in consolidated MCCS systems serving more than one NAFI will not be assigned signature or withdrawal authority in any capacity or arrangement because these circumstances lower insurance coverage to $100,000 for the account. However, for single NAFI accounts, the MCCS Finance Officer, custodian or treasurer will be the authorized signature authority for withdrawal.

8. Checks for Local Accounts (Excluding MCCS NAFIs). With the implementation of the Concentration Banking System, MCCS Activities are no longer authorized to write checks against local accounts. However, all checks for other NAFIs will bear the name of the NAFI activity and include the statement "Nonappropriated Fund Instrumentality." The signature block should indicate "Custodial." A different person will accomplish each of the following in the disbursement process: payment authorization, check preparation, check signing, and bank reconciliation.

a. Storage. Checks must be stored in a locked safe. Controls will be established to document the issuance of checks for the purpose of preparing disbursements.

b. Authorization. The authority to disburse funds rests with the MCCS Finance Officer based on the documented receipt of goods and services originally authorized by the appropriate personnel.

c. Preparation. All checks issued must be written in permanent MICR ink from a MR approved printer. The bank will verify that proper ink is used.

d. Errors. If an error is made in writing the check, the check will be voided and another issued. Spoiled checks will not be destroyed. They should be retained, marked void, and made nonnegotiable by mutilating the signature area. Retain the voided or spoiled checks with the bank statement.

e. Stop Payment. Whenever a signed check is lost, a stop payment notice shall be provided to the bank. A new check shall be prepared, and both checks shall be cross-referenced.

f. Signature. The person(s) designated to sign checks will not prepare the checks, nor post to the cash accounts. Generally, the MCCS Finance Officer, or authorized designee, will sign checks, except in small activities; i.e., where a checking account serves a single NAFI. In this case the activity manager cannot be delegated the authority to sign checks. Local checks bearing the chief financial officer's signature should be reviewed by the MCCS Finance Officer or authorized designee.

(1) Prior to payment, the person designated must determine the validity of the voucher intended for payment.

(2) Under no circumstance will checks be signed in advance or made payable to cash or the bearer.

g. Reconciliation. All bank accounts will be reconciled to the general ledger monthly. Adequate segregation of duties will be maintained in the bank reconciliation in the areas of cash handling, voucher preparation and approval, and check signing authority. The MCCS Finance Officer, MCCS Director, or their designees, will review and verify the bank reconciliation. General ledgers will be maintained in accordance with reference (c) SSIC 7010.1.

(4) Petty Cash Fund. The commander, or designee must authorize petty cash funds, in writing, to include both the custodian and amount. The petty cash fund custodian will ensure that the fund is limited for small purchases of $200 or less, $400 in emergency situations and will not be used to circumvent normal procurement procedures. In addition:

(a) Petty cash funds may be established for the disbursement of game and bingo prizes/awards and vending

refunds. For prize and award disbursements there will be no fund limitation.

(b) The petty cash fund is established and replenished by checks drawn on the checking account. The petty cash fund custodian will obtain signed cash receipts for all funds advanced. The petty cash fund receipts will be maintained in accordance with reference (c) SSIC 7010.1.

(c) The petty cash fund custodian is responsible for the fund and its security; however, the approving authority for petty cash expenditures will be someone other than the petty cash fund custodian. The petty cash fund must be stored in a secure location.

(d) The MCCS Director, or designee, will ensure and document that a surprise count of each petty cash fund is accomplished at least once a quarter.

(e) The MCCS Director, or designee, will review the amount of the petty cash funds annually to ensure that the funds are not excessive to the needs of the activity.

(f) Petty cash will not be used to negotiate personal checks or fund payroll requirements.

(5) Change Funds. The commander, or designee must authorize change funds, in writing, to include the custodian and amount. The fund is authorized primarily for making change, issuing refunds, and for check cashing. In addition:

(a) The MCCS Director, or designee, will conduct quarterly surprise cash counts to ensure that the total on hand is the amount that has been issued and authorized.

(b) The MCCS Director, or designee, will evaluate the amount of change funds, annually, to ensure that the funds are adequate and are not excessive to meet the needs of the activity.

(6) Cash Reserved for Local Capital Improvements. Funds set aside by the installation for future local capital improvements, as designated below.

(a) Current Portion. Funds that are set aside for future local capital improvements expected to occur within the

next twelve months. The journal entry to record current portion is:

| | | |
|---|---|---|
| Debit | 1120 | Reserve for Capital Improvements |
| Debit | 3401 | Operating Capital |
| Credit | 1119 | Concentration Banking |
| Credit | 3151 | Reserve/Capital Improvement Fund |

(b) Non-Current Portion. Funds that are set aside for future local capital improvements not expected to occur within the next twelve months. The journal entry to record Non-Current Portion is:

| | | |
|---|---|---|
| Debit | 1721 | Non-Current Reserve for Capital Improvements |
| Debit | 3401 | Operating Capital |
| Credit | 1119 | Concentration Banking |
| Credit | 3151 | Reserve/Capital Improvement Fund |

(7) Returned Checks/Overdue Receivables. In performing effective cash management, two accounts pose problems in regard to collectibility; returned checks and overdue members' accounts.

(a) Returned Checks. Checks that are returned by the bank unpaid because of insufficient funds are charged back immediately to the customer from whom received. If it is found that the reason for nonpayment has been eliminated, the check should be redeposited without delay. If the patron presents a letter from a government finance office or financial institution saying the check return was due to a government or financial institution error, charges may be waived. Return checks and associated fees will be entered into the A/R sub-ledger. (See the FMS Users Guide).

The journal entry to record returned checks is:

| | | |
|---|---|---|
| Debit | 1209 | Returned Check |
| Credit | 1111 | Depository |

The journal entry to record returned check fees is:

| | | |
|---|---|---|
| Debit | 1209 | Returned Check |
| Credit | 8316 | Check Service |

(b) Overdue Receivables and Collections. Prior to forwarding delinquent accounts, or checks judged dishonored to CMC (MRF) for assistance in collecting or to third party collection agencies, all debts must be fully substantiated. At least two attempts via collection letters must be made to contact the alleged debtor directly, and one attempt to contact the debtor's Commanding Officer.

(c) Collection of Delinquent Debts. CMC (MRF) has two methods of collection that can be used to collect on delinquent debts.

1. Collections of delinquent debts from an active duty Marine can be done through the Centralize-Automated Involuntary Pay Withholding (DD139) process thru CMC (MRF). This process involves the use of FMS A/R application. See the FMS Users Guide located on the intranet.

2. CMC (MRF) will reimburse the NAFI funds for the returned check or overdue receivable via the Concentration Banking Account. The journal entry to record payment against the receivable or returned check is:

| | | |
|---|---|---|
| Debit | 1119 | Concentration Banking |
| Credit | 12XX | Return Checks or Applicable Accounts Receivable account |

3. Debts that have been rejected by Defense Finance Accounting System (DFAS) will be returned with an explanation. A reduction for these returned debts is made against the MCCS' Concentration Banking account. The debt will be written off and considered for collection through the Treasury Offset Program (TOP). The journal entry to record the returned debt is:

| | | |
|---|---|---|
| Debit | 85XX | Write-Off Uncollectible Bad Check<br>Write-Off Other Uncollectible<br>(Use the applicable account) |
| Credit | 1119 | Concentration Banking |

4. Those delinquent debts belonging to persons, other than active duty service members, can be collected through the Treasury Offset Program (TOP) as long as the debt is at least 30 days old and not over 10 years old, in accordance with reference (g). The statute of limitations for collection is 10 years.

(d) Write-Off Policy. All A/Rs shall be "aged" every 30 days. Accounts over 180 days shall be submitted to the commander for approval to write-off as a bad debt loss. Bad debt will be entered into the A/R sub-ledger. The journal entry to write off bad debt is:

| | | |
|---|---|---|
| Debit | 8501 | Write-Off Uncollectible Bad Check |
| Credit | 1209 | Returned Checks Receivable |

At the end of each reporting period, the NAFI should determine and record the amount estimated to be uncollectible. Allowance for Doubtful Accounts should be adjusted to cover those accounts expected to become uncollectible during the next reporting period. The journal entry to set up an Allowance for Doubtful Accounts is:

| | | |
|---|---|---|
| Debit | 850X | WR-Off Uncollectible Bad Check/Other |
| Credit | 1298 | Allowance of Doubtful Accounts |

If the debt is deemed uncollectible the following journal entry is:

| | | |
|---|---|---|
| Debit | 1298 | Allowance for Doubtful Accounts |
| Credit | 12XX | Returned Checks/Other Receivables |

The balance sheet should reflect the Net Realizable Value of the receivables (the difference between the receivable and the Allowance for Doubtful Account).

2. Investments

a. The CMC (MRF) uses a Treasury Workstation (TWS) as a tool to help in management's decisions concerning cash and investments. The Treasury Workstation software package provides the ability to operate and maintain investments in a pooling concept.

b. The principle of the TWS is to treat all investments as a pool with each installation having an account for investments. The interest income or expense earned from the investment pool are recorded the last business day of the accounting period.

(1) The journal entry to record interest income is:

| | | |
|---|---|---|
| Debit | 1119 | Concentration Banking |
| Credit | 8101 | Interest Income |

(2) The journal entry to record interest expense is:

| | | |
|---|---|---|
| Debit | 6734 | Interest Expense |
| Credit | 1119 | Concentration Banking |

3. Receipts

a. Income. NAF are generated from the sale of merchandise, fees and charges for services rendered, and earnings resulting from assets or other operating resources.

(1) Sources of Income. Sources of income for MCCS activities are as follows:

(a) Resale Income. MCCS activities sell goods and services.

(b) User Fees and Charges. Fees and charges are levied to customers that participate in MCCS activities. Fees and charges are based on the costs of MCCS services as well as fees customary in the surrounding community for the same service. With few exceptions, fees and charges for revenue generating activities are subject to sales assessments, while those fees and charges of non-revenue generators are not subject to sales assessments.

(c) Other Income. In addition to direct operating income, income is generated from indirect sources. Indirect sources of NAF that are not assessed are listed in the 81XX-83XX series in the Chart of Accounts, with the exception of Account 8206, Personal Telecommunications Services and 8207, Other Commissions.

(2) Sales. Revenues received from the sale of goods and services may be paid in cash at the time of the sale or purchased on credit.

(a) Cash Receipts. The receipt of currency, coins, checks, bank drafts, traveler's checks, and money orders is a common occurrence.

1. Cash Sales. Cash received as sales from any source must be recorded at the time of sale. Ideally, sales are rung on a cash register. However, cash boxes and receipts may be used when the type of operation does not reasonably warrant a cash register. The journal entry to record cash sales is:

| | | |
|---|---|---|
| Debit | 1XXX | Cash |
| Credit | 4XXX | Sales |

a. Cash Registers. A cash register should be provided for each facility or branch and for each separate department or counter. Cash registers must be equipped with non-resettable register readings. Adequate controls must be maintained over register readings and keys. Back-up cash registers should be centrally stored in a secure place with their controls locked and issued only when needed.

b. Cash Boxes. Where cash registers are not practical, a cash box may be used. The controls over the custody of funds provided during overseas deployment exercises and special events should be complemented with the following additional guidance.

(1) When at all practical cash receiving should be centralized to ensure strict accountability over cash receipts.

(2) When in use, the cash box will be custody of the cashier at all times. In those instances when the cash box is also used to turn in the daily receipts, the cash box will be placed in a safe or other secure place until the cashier is able to verify receipts.

(3) All sales must be recorded on prenumbered sales tickets. The original copy of the sales tickets must be attached to the cash and sales reports to substantiate cash receipts.

2. Central Cashier. The central cashier is charged with verifying and certifying the cash receipts and preparing the deposit.

a. Sales receipts will be checked against the register reading daily, and where excessive differences occur, the manager will take appropriate corrective measures. The disposition of unexplained significant overages and shortages must be investigated.

b. At the close of business, all funds will be removed from the register and stored in a safe. The cash register drawer will be left open to indicate the absence of funds. Cash boxes will be secured in a safe.

(b) Other Cash Receipts. Cash received other than through sales is a normal occurrence. Generally, the finance office receives payments for commissions, interest, and receivables. These receipts are normally paid by check and must be strictly controlled. The journal entry to record other cash receipts is:

| | | |
|---|---|---|
| Debit | 1101 | Cash |
| Credit | 8XXX | Other Income |

(c) Charge/Credit Sales. Charge or credit sales of merchandise or services are authorized. Charge sales take three forms; in-house credit, the deferred payment program, or commercial credit.

1. In-House Credit. An in-house credit system is one in which accounts are completely administered by the MCCS activity. All in-house credit programs require written approval from CMC (MR). Installations should implement automated credit systems that integrate with the FMS. The journal entry to record an In-House Credit sale is:

| | | |
|---|---|---|
| Debit | 12XX | A/R In-House Credit |
| Credit | 4XXX | Sales |

2. Military Star Credit Program. This is a partnership venture with the Army Air Force Exchange Service (AAFES), established through a Memorandum of Understanding (MOU), which offers a special credit service to authorized patrons in MCCS exchanges. Use the Military Star User/Training Guide, located on the MCCS intranet, for instructions on accessing Vision reports.

a. The journal entry to record Military Star Credit sales is:

| | | |
|---|---|---|
| Debit | 12XX | A/R Star Credit |
| Credit | 4XXX | Sales |

b. The journal entry to record Military Star Credit Card settlements is:

| | | |
|---|---|---|
| Debit | 1119 | Concentration Banking |
| Credit | 12XX | A/R Star Credit |

c. The journal entry to record Military Star Credit Card returns is:

| | | |
|---|---|---|
| Debit | 4XXX | Returned Sales |
| Credit | 12XX | A/R Star Credit |

d. The journal entry to record Military Star Credit card fees/chargebacks is:

| | | |
|---|---|---|
| Debit | 6710 | Debit/credit card expense |
| Credit | 1119 | Concentration Banking |

3. Commercial Credit. Commercial credit cards authorized by DOD may be accepted in all MCCS activities to include the use of government travel credit cards at MCCS temporary lodging facilities. Use the Commercial Credit User/Training Guide, located on the MCCS intranet, for instructions on accessing various reports for reconciling commercial credit cards.

a. The journal entry to record commercial credit card sales is:

| | | |
|---|---|---|
| Debit | 12XX | A/R Commercial Credit |
| Credit | 4XXX | Sales |

b. The journal entry to record commercial credit card settlements is:

| | | |
|---|---|---|
| Debit | 1119 | Concentration Banking |
| Credit | 12XX | A/R Commercial Credit |

c. The journal entry to record commercial credit card returns is:

| | | |
|---|---|---|
| Debit | 4XXX | Returned Sales |
| Credit | 12XX | A/R Commercial Credit |

d. The journal entry to record commercial credit card fees/chargebacks is:

| | | |
|---|---|---|
| Debit | 6710 | Debit/credit card expense |
| Credit | 1119 | Concentration Banking |

4. Debit Card. Bank debit cards may be accepted in MCCS activities. Use the Commercial Credit User/Training Guide, located on the MCCS intranet, for instructions on accessing various reports for reconciling Bank debit cards.

a. The journal entry to record bank debit card sales is:

| | | |
|---|---|---|
| Debit | 1219 | A/R Debit Cards |
| Credit | 4XXX | Sales |

b. The journal entry to record bank debit card settlements is:

| | | |
|---|---|---|
| Debit | 1119 | Concentration Banking |
| Credit | 1219 | A/R Debit Cards |

c. The journal entry to record bank debit card returns is:

| | | |
|---|---|---|
| Debit | 4XXX | Returned Sales |
| Credit | 1219 | A/R Debit Cards |

d. The journal entry to record bank debit card fees/chargebacks is:

| | | |
|---|---|---|
| Debit | 6710 | Debit/credit card expense |
| Credit | 1119 | Concentration Banking |

5. Chase Club Card. The Chase Club Card provides individuals with a club membership identification card that can be used as a commercial credit card at participating MCCS clubs and/or activities. This card is subject to the terms and conditions as determined by individual cardholder agreements with Chase Bank.

a. The journal entry to record Chase Club Card sales is:

| | | |
|---|---|---|
| Debit | 1200 | A/R Chase Club Card |
| Credit | 4XXX | Sales |

b. The journal entry to record Chase Club Card settlements is:

| | | |
|---|---|---|
| Debit | 1128 | Chase Cash |
| Credit | 1200 | A/R Chase Club Card |

c. The journal entry to record Chase Club Card returns is:

| | | |
|---|---|---|
| Debit | 4XXX | Returned Sales |
| Credit | 1200 | A/R Chase Club Card |

d. The journal entry to record bank debit card fees/chargebacks is:

| | | |
|---|---|---|
| Debit | 6710 | Debit/credit card expense |
| Credit | 1128 | Chase Cash |

e. Marine Corps Exchange (MCX) Gift Cards. Exchange Activities are authorized to issue gift cards to be redeemed for purchases of merchandise and services at other MCCS Exchange activities. The MCX Gift Card serves as a cash instrument and a form of tender for most purchases including special orders and layaways. Once activated, the gift card is a bearer bond type of financial instrument and as such, must be treated as cash. The MCX Gift Card is available to all authorized customers. All EPOS registers are able to sell and redeem the MCX Gift Card. Gift cards may also be used as prizes for customers and awards for MCCS employees.

(1) Control of Gift Cards. Since gift cards have no real value until they are activated by a register operator at EPOS, they need to be secured only as a low cost expense item. Until the gift cards are put out for display, they should be stored in a secured location. Gift cards will be received in the Retail Merchandising System (RMS) for inventory tracking purposes.

(a) CMC (MRF) will purchase gift cards on behalf of MCCS installations. The journal entry to record this purchase is:

| | | |
|---|---|---|
| Debit | 1601 | Supplies on Hand |
| Credit | 1119 | Concentration Banking |

(b) Gift Card expense should be amortized monthly based on the cost of gift cards issued. The journal entry to amortize gift card expense is:

| | | |
|---|---|---|
| Debit | 6714 | Gift Card Expense |
| Credit | 1601 | Supplies on Hand |

(2) Sale of Gift Cards: MCX gift cards can only be sold at MCX sites. Sale of a gift card is limited to authorized personnel only. The minimum purchase is $5.00 and the maximum purchase is $300.00. With supervisor

approval/override, the customer may purchase a card up to $1,500.00. There are two types of gift cards, an issue card and merchandise return card. The journal entry to record gift card sales is:

| | | |
|---|---|---|
| Debit | 1XXX | Cash/Account Receivable |
| Credit | 2614 | Gift Cards |

(a) Returns/Refunds Without Receipt. Customers returning MCX purchases without a receipt will be given a Returned Merchandise Card, not cash. No alternate tender is available. Gift cards themselves cannot be returned.

(b) Cash Outs. No cash out/change from the gift card is authorized from any transaction unless authorized by store management.

(c) Reloads. Gift cards **cannot** be reloaded and/or reused.

(d) Turn In of Gift Cards. Once a gift card is redeemed/has no remaining balance, the gift card will not be recycled. Redeemed gift cards need to be turned into the Cash Cage with the daily receipts. The Cash Cage will turn the gift cards over to Finance. If it is determined to have a zero balance, the card is destroyed. If there is a working balance, the card needs to be devalued in the Office of Special Investigation (OSI). Once the card has a zero working balance, it is destroyed.

(e) Lost. Lost gift cards cannot be reimbursed. Once gift cards are activated, they are to be treated as cash. MCX is not responsible for lost or stolen gift cards.

(f) Redemption. Once a gift card is redeemed, the following journal entry is:

| | | |
|---|---|---|
| Debit | 2614 | Gift Cards |
| Credit | 4XXX | Sales |

(g) Deactivating. Before deactivating a gift card, it is **mandatory** the card has a zero working balance. If the card is deactivated before there is a zero balance, there is no way to reactivate the card to clear out the balance.

(h) Mass Valuation/Mass Devaluation. Mass Valuation/Devaluation is when multiple cards will be issued sequentially. This is normally done for Mystery Shoppers, surveys, prizes or awards. Mass Valuation/Mass Devaluation can only be done at the MCCS Finance Office, not at the cash registers.

(i) EPOS Downtime. If the EPOS is experiencing a downtime situation, no gift card transaction will be authorized. The register response will be "Off-Line-Gift Card transaction not available."

(j) Dormancy Fees. Dormancy fees are income to the installations. They start after 24 months of consecutive inactivity. Gift cards will be debited $2.00 per month until there is a zero balance or the card is used. Fees are non-retroactive to date of inactivity and they are collected by the originating activity. The journal entry to record the Dormancy Fees is:

| | | |
|---|---|---|
| Debit | 2614 | Gift Cards |
| Credit | 8320 | Other Income |

NOTE: You will not see the full $2.00. Comdata charges a $.08 transaction fee to sweep the money from the card, resulting in a net gain of $1.92.

(k) Intra Company Gift Card Redemption. An authorized patron may purchase a gift card at one installation and redeem the gift card at another installation. The journal entry to record the redemption is prepared by CMC (MRF) and interfaced to the GL System.

| | | |
|---|---|---|
| Debit | 1302 | Intra-MCCS Receivables |
| Credit | 2614 | Gift Cards |

The journal entry to record the receipt of payment will be prepared by CMC (MRF) and interfaced to the GL System.

| | | |
|---|---|---|
| Debit | 1119 | Concentration Banking |
| Credit | 1302 | Intra MCCS-Receivables |

NOTE: You will not see the full $2.00. Comdata charges a $.08 transaction fee to sweep the money from the card, resulting in a net gain of $1.92.

(l) Management Fees. On a monthly basis, Comdata will send a corporate bill to CMC (MRF). CMC (MRF) will break down the fees and charges for each installation based upon their usage and provide a spreadsheet of the breakdown to each installation. Expenses will be charged to the installations concentration cash account. The journal entry to record the Management Fees is:

| | | |
|---|---|---|
| Debit | 2614 | Gift Cards |
| Credit | 1119 | Concentration Banking |

(m) Reconciliation. Reports will be provided on a daily and monthly basis by our EPOS and Comdata. These reports should be balanced on a daily and/or monthly basis.

(n) MCCS Gift Certificates. Gift Certificates will be sold at designated MCCS activities. EPOS will retain the ability to tender gift certificates.

1 Non-Exchange retail activities and MWR activities will continue to use gift certificates.

a Issuance. Pre-numbered blank gift certificates will be issued and the dollar value affixed to gift certificates at the time of sale. The gift certificates are valid for one year from the date of issuance, are not redeemable in cash, and, if lost by the customer, are not reimbursable unless the local MCCS Activity establishes a policy to do so.

b Control of Gift Certificates. The MCCS Director is responsible for the operation and management of the MCCS Gift Certificate Program. The MCCS Director may designate a custodian, in writing, for the issuance and control of the gift certificates. The custodian will order and receive supplies of gift certificates from CMC (MRX) based on requirements. The MCCS Director or designee will perform a verification of all gift certificates, which have not been issued at unannounced intervals as deemed necessary, but at least quarterly. This may be accomplished in conjunction with the change fund verifications. The activity cashier will receive the gift certificates from the custodian, record the serial numbers in a control log, and sign for the gift certificates. The custodian will maintain the number control log. All gift certificates will be secured in the cashier's

safe and be given the same care and protection as any other cash valuables belonging to the MCCS Activity.

c Sale of Gift Certificates. Authorized patrons may purchase gift certificates from designated MCCS activities. Customers may purchase gift certificates in any amount if payment is by cash; if payment is by credit card, purchases are limited to their authorized credit card limit; and, if payment is by check, purchases are limited to $200 daily. The sales associate will affix the amount on the gift certificate using a check-imprinting machine at the time of the sale. Gift certificates will not be accepted without the amounts being affixed by the check-imprinting machine. At the time of purchase, the sales associate must fill in the following:

1. Front Side of Gift Certificate

Current Date
Name to whom the gift certificate is issued
Issuing Command
Signature of authorized issuer
Expiration Date
Amount

2. Back Side of Gift Certificate

Circle your MCCS Activity

3. On Gift Certificate Record

To (Name to whom certificate is issued)
Amount affixed by check imprinter machine
From (Person who purchased gift certificate)
Current Date
Issued By
Void Date

4. The journal entry to record the sale of the gift certificate is:

| | | |
|---|---|---|
| Debit | 1XXX | Cash/A/R |
| Credit | 2602 | Gift Certificates |

d. Gift Certificates Given for Prizes and Awards

(1) Award. When a gift certificate is authorized for issuance to an MCCS employee as an award, a journal voucher will be prepared by the accounting department with the appropriate cost center charged based on where the associate works. The expense will be recorded to the appropriate expense account. The cashier will note on the gift certificate the name of the employee receiving the award or, if this is unknown at the time of issuance, the name of the individual who authorized the award.

(2) Prize. When a gift certificate is authorized for issuance to a customer as a prize, the accounting department must prepare a special journal voucher. The cashier will note on the gift certificate record the name of the person authorizing the prize. The journal entry to record the prize is:

| | | |
|---|---|---|
| Debit | 6741 | Sales Promotions |
| Credit | 2602 | Gift Certificate Liability |

e. Sale/Redemption of Gift Certificates at Same MCCS Installation.

1. The journal entry to record the sale of Gift Certificates at the same installation is:

| | | |
|---|---|---|
| Debit | 1XXX | Cash/A/R |
| Credit | 2602 | Gift Certificates |

2. The journal entry to record the redemption of Gift Certificates at the same installation is:

| | | |
|---|---|---|
| Debit | 2602 | Gift Certificates |
| Credit | 4XXX | Sales |

f. Gift Certificates Redeemed at MCCS Installations Other Than the Issuing Installation.

1. Record in a number control log, the issuing MCCS installation, gift certificate number, amount, department/cost center, and sales date for reference purposes.

2. Prepare the following journal entry to collect from the issuing MCCS installation. The gift certificate number(s) and date(s) of issuance will be entered in the explanation column of the journal voucher.

| | | |
|---|---|---|
| Debit | 1302 | Intra MCCS Receivable |
| Credit | 2602 | Gift Certificate |

3. Invoice the issuing MCCS installation for payment of the redeemed gift certificate, and provide them a copy of the journal voucher with the redeemed gift certificate attached. Payment by the issuing MCCS installation will be made upon receipt of the invoice.

4. Follow-up, at least monthly, on the outstanding gift certificates sent to the issuing MCCS Activity for payment.

5. The journal entry to record receipt of payment from the issuing MCCS installation is:

| | | |
|---|---|---|
| Debit | 1119 | Concentration Banking |
| Credit | 1302 | Intra MCCS Receivable |

g. Issuing MCCS Installation Responsibility Upon Receipt of Redeemed Gift Certificate. The issuing MCCS installation will match the redeemed gift certificate with the numerical file copy and record the redemption date. The gift certificates will be filed in numerical sequence and retained for four years.

h. Monthly Reconciliations of Gift Certificates. At the end of each month, the accounting department will reconcile the value of unredeemed gift certificates in the number control log to the outstanding gift certificate entries in the detail general ledger Intra MCCS Receivables account (1302). The accounting department will also reconcile the Gift Certificate account (2602) monthly.

i. Gift Certificate Adjustments. Outstanding issued gift certificates over 12 months old will be written off with proper approval. The gift certificate number and date of issuance will be entered into the explanation section of the journal entry. The journal entry for gift certificate adjustments is:

| | | |
|---|---|---|
| Debit | 2602 | Gift Certificates |
| Credit | 8320 | Other Income |

(6) Merchandise Coupons. Retail activities will accept vendors' coupons presented by customers for merchandise regularly carried in stock. Coupons will not be accepted by

sales personnel after the expiration date with the exception of overseas installations that may accept merchandise coupons up to six months after expiration date shown on the coupons.

(7) Sales to Government Activities and other NAFIs

(a) Legislation allows MCCS to sell goods and services to government activities that pay with appropriated funds. MCCS will charge normal retail prices charged to other customers and will not allow price discounts based solely on the purchasing organization.

(b) Whenever the MCCS Activity has the capability of providing support service to an authorized activity, such service may be afforded, provided it does not impair MCCS operations. Some of the services which could be considered are data processing accounting; personnel services, procurement, vehicle maintenance and repair; and custodial security. The cost for providing support services consists of direct labor costs plus applicable percentages to cover employee benefits, material cost, and support costs.

(c) Exchanges that stock uniform items procured from the Defense Supply Center of Philadelphia (DSCP) will sell those items to other Government activities at the cost price. The Retail Branch will recover its handling and shipping costs as part of the management fee reimbursed by CMC (MRF).

(d) MCCS programs routinely transfer retail inventory between two other installations. These transfers will be accounted for at cost and shipping expenses will be negotiated between the two parties.

(8) Layaway Sales. At the time of regular layaway or home layaway, the total sell price of the item shall be recorded as a sale and credited as such to the department concerned. The unpaid balance shall be recorded as a Layaway Accounts Receivable (account 1205).

(a) The automated journal entry to record the initial layaway transaction and corresponding sale is as follows:

| | | |
|---|---|---|
| Debit | 1205 | Layaway Receivable |
| Credit | 4101 or 4601 | Gross Sales or Gross Sales Non-Essentus |

(b) The automated journal entry to record customer payments on the layaway is as follows:

| | | |
|---|---|---|
| Debit | 11XX | Cash |
| Credit | 1205 | Layaway Receivable |

(9) Commercial Sponsorship Revenues

(a) All commercial sponsorship income and expenses should be recorded in the appropriate category program. The following Cost Centers should no longer be used to record commercial sponsorship related activity: 1110, 2510, 5815, and 5910.

(b) All solicited and unsolicited revenue or promotions must be recorded to an income account: 8324 for Solicited Sponsorship and 8325 for Unsolicited Sponsorship.

(c) The following journal entry to record income received in the form of corporate checks is: (the receipt of cash is prohibited by reference (a))

| | | |
|---|---|---|
| Debit | 1XXX | Cash |
| Credit | 832X | Commercial Sponsorship Income |

(d) The journal entry to record merchandise received is:

| | | |
|---|---|---|
| Debit | 6738 | In-Kind Sponsorship Expense |
| Credit | 832X | Commercial Sponsorship Income |

4. Expenditures

a. Accountability for Disbursing NAF Resources. Accountability for NAF resources rests with the MCCS Director. Therefore, the MCCS Finance Officer will disburse NAF resources only with the specific approval of the MCCS Director or designated representative. Disbursing records shall be maintained per reference (b) SSIC 7200.1b.

b. Internal Controls. To ensure internal controls are properly maintained, a voucher may not be paid until a three-way match between the procurement document, receiver, and invoice is obtained. Accounting offices not using an electronic purchasing system will make a three-way match using paper copies.

(1) Method of Payment. All disbursements will be made from the Concentration Banking Account via check or electronic funds transfer except for payment of minor items from petty cash funds.

(2) Documentation Required for Payment. Receipt of the following documents, properly prepared and authenticated, is authority for payment:

(a) A procurement instrument such as a purchase order, delivery order, or bilateral contract will identify: the quantity, unit, price, and delivery terms of the merchandise or services purchased;

(b) A receiving report or other signed document that the goods or services have been received by the NAFI;

(c) An invoice from the vendor requesting payment;

(d) A three-way match is made between the purchase order, receiving document, and invoice prior to making payment.

(e) Partial Shipments

1. When a partial shipment is received, mark the invoice as a partial shipment and identify which items have been received. Retain a copy of the invoice reflecting the outstanding items until the remainder of the shipment is received. If a partial payment is made, annotate on the check "partial shipment received," and establish an accounts payable open item. When the final shipment is received, annotate on the check "final shipment received" and close the accounts payable open item. Payment will be processed based on the Prompt Payment Act and/or the vendor's payment terms.

2. If the partial shipment will not be corrected by the vendor, a modification to the purchase document must be created by the procurement office prior to payment of the voucher.

c. Voucher Does Not Match Procurement Document. When a voucher does not match a procurement document, it must be researched and the results coordinated with the procurement office. Based upon input from the vendor and requiring activity, a modification to the purchase document may be necessary.

d. Exceptions to Three-Way Match. Exceptions to the three-way match requirement are authorized where appropriate, for example: expenditures relating to payroll, investment, and pensions; employee reimbursements for travel and training; accounting for NAF billeting activities; and purchase card payments.

e. Unauthorized Commitments. Unauthorized commitments are a commitment of MCCS funds by an individual without the procurement authority to do so. Unauthorized commitments will be ratified as required by reference (a). After ratification, the procurement official must prepare a purchase document before the voucher may be paid. Additionally, approval for unauthorized commitments can be authorized electronically via the FMS.

f. Purchases from Other NAFIs. Purchase of goods or services from another NAF will be supported by a request for the goods or services and a signed document showing receipt.

g. Purchases from the Government. Purchases of goods or services from the Government (e.g., bills from APF) will not normally be supported by a procurement instrument, however, a receiving report or other signed evidence of receipt must be present to support payment.

h. Purchases by Government Commercial Purchase Card. Purchases made with Government Purchase Cards will be supported by an original sales receipt or invoice, a receiving signature by a separate individual, and an invoice certified by the approving official.

i. Commercial Sponsorship Expenses

(1) All Commercial Sponsorship expenses should be recorded in the appropriate category program. The following cost centers should no longer be used to record Commercial Sponsorship related activity: 1110, 2510, 5815 and 5910.

(2) All expenses purchased with income received in the form of corporate checks must be recorded to a 6XXX series general ledger account. The sub-account code CSP should be used to identify the expense as commercial sponsorship-related.

(3) The following journal entry should used to record commercial sponsorship expenses and must be recorded through the accounts payable subsidiary ledger:

| | | |
|---|---|---|
| Debit | 6XXX-CSP | Expense |
| Credit | 2101 | Accounts Payable |

(4) Account 6738 and all expenses with the sub-account code CSP indicating the expense was sponsorship-related will be excluded from the annual Metric Report.

5. Significance of Payroll Functions. Payroll is the second largest single cost element for the MCCS system, only exceeded by the cost of resale goods. This policy only covers the accounting portion of the payroll function. A detailed discussion of personnel policies and procedures is found in reference (h), Marine Corps Nonappropriated Funds Instrumentalities Personnel Manual or, if applicable, local bargaining agreements.

a. Timekeeping. Timekeeping is a critical function, which may be performed by an individual employee, timekeeper, supervisor, or a combination of these individuals. Timekeeping requires the accurate and timely recording of time and attendance data and the maintenance of related documentation. All Marine Corps NAF activities shall follow the timekeeping procedures outlined in available user guides. Procedures for timekeeping of civil service employees will be in accordance with the Code of Federal Regulations and other applicable DOD and Department of Navy (DoN) policies.

b. General. MCCS has developed a Commercial Off-The-Shelf (COTS) Human Resources Management System (HRMS) that includes both a payroll and time and attendance function. User instructions and procedures are contained in the HRMS user manuals located on the intranet.

(1) The Personnel Section is responsible for the creation, maintenance, and inactivating an employee's personnel records. This section further maintains a hard copy NAF personnel report and implements strict internal control procedures that shall be maintained at all times.

(2) The Payroll Section is responsible with maintaining all MCCS payroll records, including PeopleSoft time and attendance records, and implements strict internal control procedures that shall be maintained at all times.

c. Time and Attendance Recording. Employees who are classified as nonexempt from the Fair Labor Standards Act (FLSA) as administered by the Office of Personnel Management (OPM) must

record their time daily using a biometric time collection device, a web (i.e. online) clock, a timesheet, or a combination of these methods. Employees who are classified exempt from the FLSA as administered by the OPM, will have their time pre-populated based on the schedule their supervisor establishes in the HRMS. Thus, exempt employees will only need to record time when there is an exception (e.g. for absences).

d. Time and Attendance Certification. The certification of time and attendance is an authorization for the expenditure of NAFI funds. Each employee's time and attendance reported shall be certified correct by the employee's supervisor, acting supervisor, or other designated representative authorized to act as an alternate certifier at the end of the pay period. While certification of time and attendance for exempt employees is based on "by exception", nonexempt employees' certification shall be based on the following methods:

(1) From personal observations, work output, and/or timekeeper verification;

(2) Checking data against other independent sources (such as validating starting and ending times of work with a time collection device);

(3) Reliance on other internal controls;

(4) A combination of the above controls.

e. Outsourcing of Payroll functions. Marine Corps NAF activities shall not outsource any portion or all of the payroll functions, without first obtaining CMC (MR) approval.

6. Payroll for Local National Labor by Overseas Activities. Effective 1 October 2001, the Government of Japan (GOJ) has the responsibility of directly compensating Japanese National employees who are employed by MCCS under the Indirect Hire Agreement (IHA). MCCS is responsible to pay the IHA labor cost in excess of the GOJ allocated amounts. MCB Camp Butler and MCAS Iwakuni should estimate payroll expenses associated with IHA to determine whether the expenses incurred are at, below, or over the monthly allocation for those employees.

a. If the estimated monthly expense for IHA employees is at or below the monthly allocation, the installation should not record any payroll expenses for the IHA employees.

b. If the estimated monthly expense for IHA employees is greater than the authorized monthly allocation, the installation should accrue the difference between the allocation and the estimate. The journal entry to record this transaction is:

| | | |
|---|---|---|
| Debit | 61XX | L/N Payroll Expense |
| Credit | 25XX | L/N Accrued Payroll |

c. At year-end, each installation should reconcile the accrual account and payroll expense accounts and record the actual expense. The journal entry to record this transaction is:

| | | |
|---|---|---|
| Debit | 25XX | L/N Accrued Payroll |
| Credit | 61XX | L/N Payroll Expense |

or

| | | |
|---|---|---|
| Debit | 61XX | L/N Payroll Expense |
| Credit | 25XX | L/N Accrued Payroll |

7. Assessments

a. The assessments for the Headquarters Operating Fund (OPF), Gaming, and Central Construction Fund (CCF) will be posted each accounting period by ORG. Only Category C revenue generating activities will be assessed. The journal entry to record ORG's operating assessments is:

| | | |
|---|---|---|
| Debit | 6271 | Operating Fund Assessment (OPF) |
| Credit | 2405 | OP Fund Assessment |

The journal entry to record each ORG's CCF Assessment is:

| | | |
|---|---|---|
| Debit | 6272 | CCF Assessment |
| Credit | 2406 | CCF Assessment |

The journal entry to record each ORG's CCF Assessment is:

| | | |
|---|---|---|
| Debit | 6273 | Gaming Assessment |
| Credit | 2412 | Gaming MACH Assessment |

CMC (MRF) will automatically deduct the balance of these assessment payable accounts from each installation by the 25th of each month or next business day for the previous accounting period assessments.

The journal entry to record the Operating Fund Assessment payment is:

| | | |
|---|---|---|
| Debit | 2405 | OPF Assessment |
| Credit | 1119 | Concentration Banking |

The journal entry to record the CCF Assessment is:

| | | |
|---|---|---|
| Debit | 2406 | CCF Assessment |
| Credit | 1119 | Concentration Banking |

The journal entry to record the Gaming Assessment is:

| | | |
|---|---|---|
| Debit | 2412 | Gaming MACH Assessment |
| Credit | 1119 | Concentration Banking |

b. Assessment rates are provided in the Annual Budget Guidance which is approved by the MCCS BOD.

| | |
|---|---|
| Operating Fund | |
| Operating Fund (Less Fuel) | 2.30% |
| Operating Fund, Fuel | 0.94% |
| Construction Fund | |
| Small Commands (Sales < $11 million) | 2.25% |
| Large Commands (Sales > $11 million) | 2.50% |
| Small Command's Fuel Sales | 0.72% |
| Large Command's Fuel Sales | 0.90% |
| Machine Net | 21.00% |

8. Taxes. Questions on tax law should be referred to an attorney within the Office of Counsel for the Commandant or one of Counsel's field offices.

a. Excise Tax. MCCS installations located in the United States must purchase articles to which the manufacturers' excise tax applies at a price inclusive of the excise tax regardless of whether such articles are purchased for NAFI use or for resale. Excise tax may be exempt only when purchasing supplies for export to a foreign country or for a shipment to a possession or territory of the United States.

b. Federal Alcohol Tax Stamp. Each NAFI shall be responsible for procuring a retail alcohol dealer tax stamp. If the NAFI engages in wholesaling or transferring alcoholic beverages to another NAFI, the activity must procure a wholesale alcohol dealer tax stamp, but not a retail tax stamp. Whenever

it is necessary for patrons to cross over property (other than government controlled) to get from one retail outlet to another, a separate retail dealer tax stamp is required for the additional location.

c. Federal Income Tax. MCCS installations are exempt from federal income taxes and are not required to file returns for such tax. Installations are responsible for withholding federal income taxes from wages of applicable employees.

(1) The collection of Federal Income Tax withholdings is processed via the regular payroll processing. The following journal entry will be automatically recorded to post the Federal Income Tax withholding.

| | | |
|---|---|---|
| Debit | 6101 | Salaries and Wages |
| Credit | 2201 | Federal Income Tax Withheld |

(2) MCCS NAFIs will be responsible for the payment of taxes to the Internal Revenue Service via electronic funds transfer. The journal entry to record the payment of Federal Income Tax is:

| | | |
|---|---|---|
| Debit | 2201 | Federal Income Tax Withheld |
| Credit | 1119 | Concentration Banking |

d. Medicare and Social Security Tax. MCCS installations are responsible for collecting, paying, and matching the employees share of withholding. This also applies to cash tips collected by employees.

(1) The allocating of Medicare and Social Security withholdings are processed via the regular payroll processing. The journal entry will automatically be recorded to post the employer match.

| | | |
|---|---|---|
| Debit | 6102 | OASDI/Medicare Tax |
| Credit | 2202 | OASDI/Medicare Tax Withheld |

(2) MCCS NAFIs will be responsible for the payment of taxes to the Internal Revenue Service via electronic funds transfer. The journal entry to record the payment of Medicare and Social Security Tax is:

| | | |
|---|---|---|
| Debit | 2202 | OASDI/Medicare Tax Withheld |
| Credit | 1119 | Concentration Banking |

e. Federal Communication Tax. MCCS installations are exempt from paying communication tax on telephone, telegraph, cable, radio, or leased wire charges for which payment is made directly to the U.S. Treasury.

f. Transportation Tax. MCCS installations are exempt from any transportation tax.

g. State Taxes. State taxes vary according to the state, and MCCS activities shall determine the need to pay state and local taxes on vending products, beer, soda, and cigarettes. The MCCS activities are liable for the collection and payment of employee state withholding taxes. The amount collected from each employee will be collected via regular payroll processing and will be posted to State/City Taxes withheld. MCCS activities have the responsibility to send payments to the respective states by electronic funds transfer or check. Concessionaires and contractors are not NAFIS and shall charge customers and pay appropriate state taxes.

h. Gasoline Tax. MCCS installations engaged in selling gasoline shall pay all applicable federal, local, state or territorial gasoline taxes.

i. Information Returns (1099). MCCS installations shall issue information returns to persons receiving:

(1) Contract payments under a services contract of $600 or more to anyone other than a corporation.

(2) Cash and prizes of $1,200 or more for a single winning of a bingo, raffle, or a single jackpot of a gaming machine. These winnings shall be reported to the Internal Revenue Service on a Form W2-G.

9. Internal Controls

a. One of management's primary responsibilities will be to control and protect the MCCS installation's resources. Policies and procedures to protect the assets are the internal controls of the organization. Detailed policies are contained in reference (i).

(1) Financial, program, and activity managers and supervisors are obligated to form and monitor internal controls. To assist management, a Management Analysis and Control section may be established as a support function.

(2) Representatives of CMC Programs and Resources (P&R)) known as the Marine Corps NAF Audit Service (MCNAFAS) conduct internal audits of NAFIs at such times and under such conditions as prescribed.

(3) The commander may appoint a committee at any time to conduct a review of the local MCCS installation NAF records to verify effective internal controls.

b. Other Audits

(1) References (j) and (k) prescribe that an annual audit be conducted for all NAFIs with annual revenue or expenses that exceed $7 million and those NAFIs with operations deemed to e highly sensitive. This audit is separate and distinct from audits performed by MCNAFAS and shall be conducted by independent public accountants contracted by CMC (MR).

(2) Representatives of the Naval Audit Service, DOD Inspector General, and the General Accounting Office may examine the accounts and records of MCCS NAFI activities. The commander shall be responsible for inspections made at irregular intervals.

10. Headquarters Reporting Requirements. CMC (MRF) is responsible for a number of reports, as follows:

a. Department of Defense International Balance of Payments Program. The quarterly report to the Director, Fiscal Division shows overseas MCCS activities; sales, receipts, U.S. personnel pay, Foreign Nationals pay, and purchase amount of foreign merchandise for resale in accordance with reference (l).

b. Status of Nonappropriated Fund Balances. This semiannual report shows the name and location of banking institutions, listing of accounts, the highest balance during the prior six-month period, and the estimated maximum balance for the following six months. Each installation will submit this report to CMC (MRF) per reference (m).

c. MCCS Consolidated Financial Statement. CMC (MRF) is responsible for the coordination of efforts to produce the MCCS consolidated financial statements.

d. Headquarters Year-End Responsibilities. At year-end CMC (MRF) has the responsibility for:

(1) Coordinating the accounting year-end external audit with the CPA firm.

(2) Assisting in the selection of the field sites for inventory observation and the external audit.

(3) Preparing the necessary work papers to document the consolidation of the financial statements.

(4) Providing the CPA firm with a copy of the consolidated financial statement no later than 60 days after the last day of the fiscal year.

# Chapter 4

## NAF Budgets

1. Purpose. A budget is a management tool that aids in coordinating and carrying out stated objectives of the MCCS program. Budgeted goals must be reviewed continuously to make sure they are attainable. If goals are not being met, corrective actions must be taken.

a. Business Strategy. Budgeting is a commitment to the business strategy of the MCCS activity. The business strategy is an operating plan that assures the continuing growth of the MCCS Activity. It reflects the specific actions to be taken by the respective operations that are crucial to the accomplishment of the MCCS activity's overall goals. All Marine Corps MCCS activities will develop a short-term and long-term business strategy.

b. Financial Goals. The financial goals show management's expectations of profits needed to:

(1) perform day-to-day operations;

(2) support recapitalization; and

(3) generate support for non-revenue generating programs.

(4) The establishment and attainment of financial goals are the responsibility of all MCCS revenue-generating activities.

2. Interrelationships of Budgets

a. Requirements. The following budgets will be prepared by all activities down to the department level at a minimum:

(1) Annual NAF Operating Budgets. The continued viability of the MCCS program depends on the efficient operation of all MCCS activities. NAF operating budgets are prepared to ensure that expenses are controlled and sufficient profits are generated to support funding non-revenue generating programs, capital improvements, and program enhancements. Maintaining sufficient operating capital and financial solvency depends on generating profits. An estimate of annual net profit for the

MCCS activity is needed. Given the MCCS program objectives, the MCCS Director must determine reasonable and attainable profit objectives.

(2) Three-Year Capital Expenditure Budget. The budget is designed to give an overview of capital improvements needed, by year, for the next three years. It includes items that are planned for APF and NAF. The preparation of this budget is dependent on APF support, budgeted and received, through the Program Objective Memorandum (POM) process. Available NAF; both existing and future resources limit NAF capital expenditures. Future resources must be generated from NAF income during the three-year period. Profit estimates, along with available working capital, will be used to set limits on annual NAF capital expenditures.

b. Cash Flow Worksheet. A cash flow worksheet will be prepared that shows existing cash resources, anticipated cash receipts and disbursements, and forecasts cash balances. This worksheet must be developed concurrently with the operating and capital budgets with a goal of sustaining normal operations. Minimizing working capital needed while properly recapitalizing the program and funding growth. Installations are required to update the cash flow worksheet, located on the MCCS intranet, on a quarterly basis.

c. Three-Year Financial Plan. Each command and CMC (MR) will maintain a long-range financial plan that supports the organization's strategic plan. This plan will outline significant financial changes in the future, expected operating results, and capital requirements.

3. Budgeting Process

a. The budgeting process has five parts: budget formulation, budget preparation, budget approval, budget analysis, and budget revision. The annual budget cycle begins when CMC (MRF) proposes budget guidance to the MCCS BOC. After approval, CMC (MRF) then issues budget guidance to all field installations. Installations will formulate the operating budgets and load them directly into the FMS not later than the date specified in October each year by CMC (MRF) in the annual Budget Guidance. The MCCS installations will also formulate capital and cash flow budgets and submit to CMC (MRF) not later than the date specified in October each year by CMC (MRF) in the annual Budget Guidance. The MCCS BOC will review the budgets

and either direct changes or submit them to the MCCS BOD for approval. Once approved, CMC (MRF) will monitor performance against these budgets and report operating results quarterly.

(1) Budget Formulation. This entails setting goals, refining business strategies, and planning resource requirements against these goals and strategies. Senior management normally drives budget formulation and produces budget guidance for program/activity managers to use in preparing the budget.

(2) Budget Preparation. The program/activity managers are responsible for developing the annual operating budgets to meet program requirements. The finance staff and branch managers consolidate and balance the budgets with guidance from the MCCS Director.

(3) Budget Approval. The commander will approve each budget prior to submitting the budget to the MCCS BOC/BOD.

(4) Budget Analysis. Once the budgets are approved, the managers responsible for their formulation must monitor execution. Budget analysis entails comparing budgets to actual performance to decide if objectives are being met. Budget analysis must be conducted at least monthly. If objectives are not being met, the program/activity manager should take corrective action.

(5) Budget Revision. Approved budgets need revision when analysis shows that plans or strategies are unattainable. Revising budgets and communicating the new performance expectations is a management duty. Minimally, the MCCS Director will conduct a mid-year review at the end of the second quarter to decide whether the business strategy (and thereby the budget) needs revision. In order to provide a proper audit trail, the original budget and any revisions will be maintained as part of the permanent records.

b. Responsibilities

(1) Commander. The commander is responsible to the MCCS BOD for the budget the MCCS organization creates. The commander will ensure the budget and underlying operational objectives meet the needs of the authorized patrons served by MCCS as well as supporting the MCCS Strategic Plan approved by the MCCS BOD.

(2) MCCS Director. The MCCS Director has overall responsibility for ensuring the staff creates a budget that supports the program's strategic goals and realistically forecasts operational performance.

(3) MCCS Finance Officer. The MCCS Finance Officer coordinates the budget formulation and preparation efforts. The finance officer will directly assist operating managers in developing realistic budgets and briefing these budgets to the MCCS Director and the Commander. The MCCS Finance Officer will also ensure the budgets are properly loaded into the FMS before the published deadline each year.

4. Annual Operating Budget for Non-Revenue Generating Activities

a. Purpose. The annual operating budget must consider approved appropriated fund support allocated to non-revenue generating activities. This combination of resources defines the scope of operations for MCCS non-revenue generating activities.

b. Objective. One of the objectives of the operating budget is to forecast financial performance of non-revenue generators. This objective includes providing desired MCCS programs at an acceptable cost, developing markets in which programs are utilized, and developing new or improved programs to meet customer needs.

5. Annual Operating Budget for Revenue Generating Activities

a. Purpose. The annual operating budget for revenue generating activities projects revenue, expenses, and the operating profits needed to cover overhead expenses, and contribute the net profit
necessary for future capital expenditures and the support of non-revenue generating activities.

b. Objective. One of the objectives of the operating budget for revenue generators is to forecast financial performance of revenue generating activities.

# Chapter 5

## Inventories

1. Inventory System. There are two systems of determining the value of goods in inventory, periodic and perpetual.

a. The periodic inventory system relies on a physical inventory conducted at prescribed times to determine the quantity and value of items on hand. This system is generally used to value inventory of property and equipment, prepaid supplies, athletic, recreation equipment and supplies, and goods and supplies inventory held in cost activities for the production of income.

b. The perpetual inventory system uses accounting entries and records to track inventory value on a continuing basis.

(1) The retail inventory method permits the development of cost center operating performance, buyer performance, comparison of actual to planned stock levels and many related management reports.

(2) A regular by-product of the retail inventory calculation includes the amount and percentage of markup, markdown, and shrinkage, and the system also contains the records necessary to determine the cost value of the inventory without taking a physical inventory.

(3) While the retail inventory method eliminates the requirement for frequent physical inventories to determine profit, it does not eliminate the requirement for a year-end inventory and periodic spot check inventories.

2. Retail Inventory Method

a. The retail inventory method is a procedure for approximating cost valuation of inventory by using the current retail selling price of merchandise. It values the cost of the physical inventory (based upon the current sell prices) without having to cost out each item separately. It permits the development of cost center operating performance, buyer performance, comparison of actual to planned stock levels and many related management reports.

b. A regular by-product of the retail inventory calculation includes the amount and percentage of markup, markdown, and shrinkage, and the system also contains the records necessary to determine the cost value of the inventory without taking a physical inventory.

c. While the retail inventory method eliminates the requirement for frequent physical inventories to determine profit, it does not eliminate the requirement for a year-end inventory and periodic spot check inventories.

d. Accurate records must be kept by cost center of all initially marked sell price on goods and all transactions affecting the aggregate of sell prices; e.g., purchases, sales, price changes, returns to vendors, and goods removed from stock.

3. Retail Inventory Method in the Retail Merchandising System

a. To maintain the retail inventory method in the Retail Merchandising System (RMS), it is necessary to document all merchandise purchased by Site/Department/Class/Subclass at both cost and retail, and add it to the opening inventory amounts.

b. From the retail value of all merchandise handled during the period, add or subtract net transfers, subtract net sales, subtract shrinkage physical count if available, add markups and subtract markdowns, POS markdowns, shrinkage store/other and shrinkage provisional. The balance is the book value of inventory of merchandise on hand at sell.

c. The cost value of merchandise on hand at the end of the period is determined by multiplying the sell inventory balance by the Cumulative Markon (CUM) percentage. The CUM percentage is calculated at the Site/Department/Class/Subclass level and then applied to the system held Retail value of inventory at the Site/Department/Class/Subclass level to produce a cost value of inventory.

(1) CUM Percentage. The CUM percentage is calculated by subtracting the cost value of merchandise handled during the period from the retail value of merchandise handled during the period. Divide this result by the retail value of inventory handled during the period.

(2) Cost Value. The cost value of merchandise handled during the period is calculated by taking the cost value of opening inventory at the beginning of the fiscal year, add the

cost value of year-to-date purchases, subtract the cost value of year-to-date returned purchases, and add or subtract the cost value of year-to-date net transfers.

(3) Retail Value. The retail value of merchandise handled during the period is calculated by taking the retail value of opening inventory at the beginning of the fiscal year, add the retail value of year-to-date purchases, subtract the retail value of year-to-date returned purchases, add or subtract the retail value of year-to-date net transfers and add the retail value of year-to-date markups.

4. Maintaining an Automated Retail Inventory in the RMS

a. The automated RMS uses no forms to maintain the inventory balance. The system automatically calculates CUM percentages and the cost value of inventories using the Cumulative Markon Report. The system uses the Retail Inventory Summary Report to calculate the retail value of ending inventories.

(1) Purchases. CMC (MRX) creates a purchase order in the RMS and places the order with an approved vendor. When items are received at the installation, the receiving clerk matches the RMS purchase order with the goods being received to ensure proper receipt. The installation is responsible for updating the receiver in RMS. The receiver retail value is the retail value on the receipt date. The receiver cost value is the cost value from the purchase order. Direct Deliveries and Open Purchase Orders are also coordinated and executed by CMC (MRX). The receiving process is similar to purchase orders in the RMS. The retail and cost values of these receivers are valued at the retail and cost values on the receipt date. Return purchases may be approved by the CMC (MRX) or the installation. The installation executes the return purchase in the RMS using the return authorization number provided by the vendor.

(2) Transfers. Transfers are executed in the RMS system by the installation. The transfer retail value is the current retail value at the transfer site. The transfer cost value is valued at the prior period CUM at the transfer site. If prior period CUM is null or zero, the CUM is calculated using the receiving site's current period Initial Markup (IMU). If receiving site's current period IMU is null or zero, the CUM is calculated using latest landed cost. Transfers are recorded on the Transfer Summary Report.

(3) Sales. UPC sales are interfaced into the RMS from the EPOS software daily. Net sales are recorded on the Period Sales Summary Report.

(4) Shrinkage Physical Count. Shrink is a result of a physical inventory conducted at the end of a period or fiscal year. Shrink is recorded on the Price Change and Shrinkage Analysis Report.

(5) Permanent Markups and Markdowns. Permanent Markups and Markdowns are authorized and executed by CMC (MRX). These markdowns are recorded on the Price Change and Shrinkage Analysis Report.

(6) POS Markdowns. Temporary markdowns are overrides performed at the register and are authorized by CMC (MRX) or installation. They are recorded on the Price Change and Shrinkage Analysis Report.

(7) Shrinkage Store/Other. Shrinkage Store/Other is comprised of surveys, inventory adjustments and retail transfer adjustments between installations if there is a difference in retail price when a transfer occurs. This is recorded on the Price Change and Shrinkage Analysis Report.

(8) Shrinkage Provisional. Shrink allowance is an estimate based on the percentage of net sales when there is no actual store shrink. It is defined at 1.5% for each departmental level.

b. Valuation of Inventory. The retail inventory will be valued at the lower of average cost or market. Throughout the fiscal year and prior to fiscal year-end, the MCCS Director will make certain the true value of the inventory is reflected in the financial statements. This will be accomplished by the CMC (MRX) and installation identifying aged, soiled, slow moving merchandise, and making appropriate adjustments to the sell price. All other MCCS inventories will be valued at cost.

5. Maintaining an Automated Retail Inventory in the FMS. The detailed instructions for maintaining the Retail Inventory Method can be found in the FMS Users Guide.

6. Finding Cost Value from Sell Value in a Manual Environment. The inventory sell value at the end of the accounting period is reduced to cost by the following process:

a. Divide the total cost of the merchandise handled during the accounting period by the total sell value of the merchandise handled during the same period. The result obtained is the mercantile percentage. The mercantile percent must be multiplied by the inventory sell value to calculate the inventory cost value.

b. In the preparation of monthly financial statements other than at year-end, an allowance for anticipated shortages should be used. The standard allowance for inventory shortages is established at 1.00 percent of sales. Reduce the inventory sell value by the projected inventory shortage, calculated as described above. At year-end, use the actual amount of shortage determined by physical inventory.

7. Valuation of Inventory. Prior to year-end, the MCCS Director will ensure the retail merchandise is valued at the lower of cost or market. Maintaining a markdown plan as well as assessing the merchandise on hand at year-end can accomplish this. Aged, shopworn, slow moving merchandise will be marked down to more accurately value it at a realistic worth to the potential buyer.

8. Commercial Inventory Services. The MCCS Director, or designate, will ensure that when a contract is entered into with a commercial inventory service, all accountability and controls necessary to meet the intent of the requirements herein, will be incorporated into the contract. It is the responsibility of the inventory control officer and all other management personnel to monitor the inventory process to ensure complete compliance.

9. Year-end Inventory Procedures. The installation will follow all initial planning, inventory meetings, floor plan and area tickets, sales floor plan preparation, storage area/warehouse preparation, taking physical inventory, control procedures, cut-off procedures and inventory reconciliation as specified in the RMS Inventory Procedures, RecTrac Inventory Procedures and reference (n).

10. Inventory Recapitulation

a. Overages and/or shortages for cost and sell inventory records must be recorded before fiscal year-end and inventory closing. The local installation accounting office should obtain a copy of the inventory schedule.

b. At or near the end of the fiscal year closing, a physical inventory of merchandise, property, supplies, and cash is required by each installation's MCCS.

c. Installations on RMS will obtain the RMS cost and sell merchandise inventory results from CMC (MRX). CMC (MRX) will also provide each installation with a copy of the year-end Retail Inventory Method (RIM) report. The local installation will be responsible for obtaining the Non-RMS retail activity inventory results and include it in the total net merchandise overage or shortage reported.

d. Inventory results will be recorded on the Grand Recapitulation of Inventory Report, consolidating the totals at all MCCS activities. CMC (MRF) will provide this form with the annual year-end guidance.

# Chapter 6

## Property, Equipment and Facilities

1. General Information. Fixed assets are defined as property, plant, and equipment purchased, donated, or transferred to a NAFI that have an expected life of two or more years and an acquisition cost of $2,500 or more. Fixed assets are capitalized, recorded on property control records, and depreciated over an estimated useful life. Tangible fixed assets purchased with nonappropriated funds (NAFs), or donated or transferred to a nonappropriated fund instrumentality (NAFI), that have a useful life of more than 2 years and an acquisition cost of $2,500 or more, shall be capitalized in the NAF accounting records. Acquisition cost includes expenditures necessary to place assets into use such as installation, freight, testing and initial training costs (other than employee salaries), legal fees to establish title, and any other costs of putting the asset into the condition and location for use.

2. Fixed Asset Categories. There are two general categories of fixed assets:

a. Property and Equipment. Examples of property and equipment include furniture, fixtures, office equipment, and vehicles. These items can be moved without damaging the structure.

b. Structures. This category includes buildings and building improvements. Examples include electrical fixtures, elevators, air conditioning systems, and renovations.

3. Property and Equipment Capitalization. When NAF is used for the purchase of property and equipment, the capitalized cost includes freight, installation and training. Capitalized property and equipment will use one of the following asset class categories:

| Asset Class | Category |
|---|---|
| 01 | Used Equipment |
| 11 | Furniture, General |
| 21 | Fixtures |

| | |
|---|---|
| 31 | Equipment, General |
| 41 | Information Systems |
| 51 | Cars/Motorcycles |
| 52 | Light G/P Trucks |

| Asset Class | Category |
|---|---|
| 53 | Heavy Duty/All Purpose Trucks |
| 54 | Trailers |
| 61 | Aircraft, Small |
| 62 | Boats |
| 71 | Horses |

4. Facility Capitalization. When NAF is used for facility construction, renovation/refurbishment or improvements, the cost of completed projects will be capitalized either at the local MCCS level or at the CMC (MRD). Completed projects will be capitalized in the appropriate records using one of the following asset class categories:

| Asset Class | Category |
|---|---|
| 81 | Facility Construction |
| 82 | Facility Alteration and Improvement |
| 83 | Buildings, Relocatable |
| 84 | Buildings, Portable |
| 85 | Shelters/Pavilions |
| 86 | Facility Renovation and Refurbishment |

a. When a project has been capitalized and entered into the FMS, depreciation will be automatically calculated and posted to the general ledger.

b. Installed equipment may be properly classified as a part of the facility/structure and its cost included as construction cost. Collateral equipment, such as shelving and furniture, are movable items and are not considered installed equipment. Therefore, collateral equipment costs cannot be capitalized as part of the facility.

5. Capitalization, Depreciation, and Useful Lives

a. All property and equipment that cost $2,500 or more and all structures that cost $5,000 or more will be capitalized. Expenditures falling below these thresholds will be expensed.

b. Items grouped as nonexpendable fixed assets must meet the same criteria as a single fixed asset. The following standards must be met to establish a group of nonexpendable assets as a single asset:

(1) ordinarily retains its original identity during period of use.

(2) is not fully consumed in normal use.

(3) has a group value of $2,500 or more.

(4) has a life expectancy of more than two years.

c. When purchases are made in bulk for like items, such as a set of chairs, and the total cost is $2,500 or more, regardless of the unit cost, the items may be grouped and then capitalized.

d. The grouped nonexpendable fixed assets require the same level of inventory control as a single fixed asset item. A property record must be maintained for each group of like items. This includes construction project NAF expenditures made for MCCS NAF collateral equipment. The content of this paragraph will not be used to circumvent the fair presentation of the financial position of the MCCS activity.

e. Depreciation accounting distributes the cost of capital assets over their estimated useful life in a systematic, consistent manner. Accounting for depreciation as an expense is an integral part of the accrual basis of accounting.

Accordingly, all MCCS NAF activities will recognize depreciation over their useful lives. The depreciation method used within MCCS is straight line. Useful lives are prescribed within the FMS Users Guide on the MCCS Intranet.

6. Facility Maintenance, Repair, Improvements, or Betterments

a. Maintenance and repairs are designed to prevent an asset from deteriorating or to return the asset to its original level of performance. These expenditures do not improve the performance of the asset or extend the life of the asset and are thus expensed in the period incurred.

b. Structural improvements or betterments usually occur infrequently, meet the capitalization threshold of $5,000, have greater than a two year useful life, or add at least two years to the useful life of an existing fixed asset. These items will be capitalized accordingly. Expenditures of this type may result from extensive repairs, renovations, or refurbishment of existing fixed assets. The cost basis of the original fixed asset will be increased by the amount of this expenditure. However, even though the estimated life of the improvement may extend the life of the original fixed asset, the original useful life will continue to be used for depreciation purposes.

7. Accounting for Fixed Assets. A detailed description of the current automated systems accounting for fixed assets is provided in the FMS Users Guide.

8. Fixed Asset Sources and Basis for Recording

a. Custody. When CMC (MRB) purchases computer equipment that will physically reside at the local installation, CMC (MRI) will prepare a sub-custody letter transferring the safekeeping of the equipment to the MCCS Director. Transferring this responsibility results in the following actions:

(1) As the owner of the asset, CMC (MRF) records the property for depreciation purposes and contracts for all maintenance agreements.

(2) Prior to the close of the fiscal year, CMC (MRF) will send a property inventory to each MCCS Activity.

(3) Requests to move the physical location of computer property owned by CMC (MR) should be sent to CMC (MRI) for approval. If approved, CMC (MRI) will provide additional instructions regarding the safekeeping of the equipment.

(4) Requests to add or change the MCCS computer configuration shall be sent to CMC (MRI) for approval. If the installation request is authorized, the expense or capital outlay will be recorded on the records of the funding NAFI.

(a) If capitalized, depreciation will be taken on the funding NAFI records. However, securing a computer maintenance contract remains an MCCS responsibility.

(b) Transferring the reconfigured asset to the MCCS will result in the local installation receiving a revised sub-custody letter.

b. Leases. Operational definitions and criteria to distinguish capital leases from operating leases are as follows:

(1) Capital Leases. Capital lease transactions are a form of financing in which an asset is acquired and a liability is incurred. A capital lease is based on the concept that a lease transfers substantially all of the benefits and risk as to the ownership of equipment to the lessee, local installation, or CMC (MR). The lease is recorded as a fixed asset and is depreciated if one of the following conditions is met: (a) the lease transfers ownership of the asset to the local installation or CMC (MR) at the end of the lease term; (b) the lease contains a purchase clause; or (c) the lease term is equal to 75% or more of the estimated economic life of the leased property, as defined in the FMS Users Guide.

(a) Minimum lease payments are the payments that are obligated or required in connection with the leased property or equipment. The journal entry to record the lease payment is:

| | | |
|---|---|---|
| Debit | 1801 | Property and Equipment |
| Credit | 2130 | Capital Lease Obligations - short-term |
| Credit | 2830 | Capital Lease Obligations - long-term |

(b) Depreciation of the capital lease asset must be recorded each accounting period. The journal entry to record the depreciation expense is:

| | | |
|---|---|---|
| Debit | 6406 | Depreciation expense - Property |
| Credit | 1802 | Accumulated depreciation - Property and Equipment |

(c) Monthly interest expense is determined prior to entering into the leasing agreement and is amortized as paid over the life of the lease. The journal entry to record interest expense is:

| | | |
|---|---|---|
| Debit | 6746 | Capital lease interest expense |
| Credit | 2130 | Capital lease obligations - short-term |

(d) In addition to recognizing a capital lease on the balance sheet, the property and equipment identified with the lease is recorded in the FMS under the appropriate acquisition code.

(2) Operating Leases. When the lessor gives the lessee the right to use leased property for a limited period of time, but retains the usual risks and rewards of ownership, the contract is known as an operating lease and expensed.

c. Construction. Completed construction projects will be capitalized in the appropriate records, after meeting all capitalization criteria, using one of the following asset class categories:

(1) Buildings, Relocatable. Any building designed for the purpose of being easily moved from one location to another; e.g., metal storage sheds, self-contained office and night watchmen's trailers, house trailer resale activities, etc. These must be maintained as property and equipment items.

(2) Facility Renovation and Refurbishment. Work done to change, improve, or rearrange the interior decor or layout of an existing facility that costs in excess of $5,000 per project.

(3) Facility Alteration and Improvement. Work done to enhance an existing facility beyond the original scope of capacity that costs in excess of $5,000 per project. Work may include alterations, expansion, or other changes to the physical plant, either exterior or interior.

(4) Facility Construction. The building of a new permanent MCCS facility.

d. Project Costs. All construction project costs must include authorized in-house or self-help labor. Specifically, only actual labor and benefits costs will be capitalized, excluding overhead expenses or additional mark-up.

(1) Centrally Funded/Locally Managed Projects. An official letter is sent from CMC (MRD) to the Commander of the installation approving a locally managed project. The letter will outline the project number, reimbursement procedures, accounting procedures, and your CMC (MRF) contact. An official letter by the MCCS Director, or designee, will be forwarded to CMC (MRD) for reimbursement. Actual documentation of costs will be retained at the local installation.

(2) Locally Funded/Centrally Managed Projects. An official letter is sent from CMC (MRD) to the Commander of the installation outlining the project number, accounting procedures, and your CMC (MRF) contact.

e. Adequate project property records will be maintained and will include at minimum:

(1) NAF project number and name;

(2) building number;

(3) location;

(4) month and year of occupancy;

(5) costs funded by Central Construction Fund (CCF);

(6) costs funded by local MCCS.

f. Installed equipment, sometimes referred to, as built-in or installed property shall be classified as a part of the facility/structure and its cost included as construction cost. However, unattached equipment, shelving, furniture, etc. will not be considered as installed equipment and will not be capitalized as a part of the project.

9. Fixed Assets Useful Life Guidelines

| DOD RECOVERY PERIODS FOR DEPRECIABLE GENERAL PP&E ASSETS (Excludes Military Equipment and Heritage Assets) | |
|---|---|
| Description of General PP&E Assets | **Recovery Period** |
| General Purpose Vehicles (Includes Heavy Duty Trucks and Buses); ADP Systems and Hardware (Computers and Peripherals); High Tech Medical Equipment; Equipment used in Research, Development, Test and Evaluation (RDT&E); Radio and Television Broadcasting Equipment; and Software Improvements. | 2-10 Years* |
| All Other Equipment, Machinery and Software** Improvements to 20-Year Recovery Period Property | 2-10 Years |
| Vessels, Tugs, Barges and Similar Water Transportation Equipment (Non-Military Equipment vessels/ships) Steam (12.5K pounds per hour or more) and Electric Generation Equipment (500 Kilowatt or more), Sewers and Other Utilities (including such things as fiber optic cable) Fences, Roads, Bridges, Towers, Ship and Railroad Wharves and Docks, Dry Docks, Fuel Storage Facilities and Other Real Property Structures. Improvements to 30-Year Recovery Period Property | 7-20 Years |
| Buildings, Hangers, Warehouses, Fuel Storage Buildings, Air Traffic Control Towers, and Other Real Property Buildings | 30 Years |
| Improvements to Leased Buildings and Other Real Property (Leasehold Improvements) | Remainder of Lease Period or 20 Years Whichever Is Less |
| Land Rights of Limited Duration | Over the Specified Duration |

* A recovery period of less than 5 years is permitted when the acquiring DOD Component is certain that the useful life of an asset is at least 2 years but less than 5 years. In such circumstances, the recovery period shall be the known useful life (2-4 years, as appropriate).

**Depending on the nature of the software, it may be depreciated over a period of less than 5 years, 5 years or 10 years. The determining factor should be the actual estimated useful life of the software.

## 10. Property and Equipment Control and Accountability

a. A record containing the following information will be maintained for each NAF fixed asset at minimum:

(1) full name and description;

(2) asset class;

(3) identification (asset) number;

(4) original Cost;

(5) current cost center;

(6) serial number and model number, where applicable;

(7) date of purchase;

(8) manufacturer's name, and/or from whom purchased or acquired.

b. All items of property and equipment which are owned or leased by the MCCS activity or government-owned items utilized within the MCCS activity shall be used only in the conduct of official MCCS business. Property and equipment shall not be removed from the installation except for official business or when transferred to another MCCS activity, sold, or otherwise disposed of properly.

c. Each item shall be assigned an expense classification number to denote NAF from APF property. A tag will be permanently affixed to the item clearly showing the assigned identification number. A record for each item will be maintained.

d. Although property and equipment are officially inventoried only at year-end, periodic checks should be performed to ensure that all items are being properly safeguarded, used, and kept in good repair. Interim results should be reconciled to the property subsidiary, then to the general ledger control accounts. Any property and equipment that cannot be accounted for should be properly investigated and resolved.

e. Memo Property is defined as items below the fixed asset thresholds that can be tracked as if it were a fixed asset to better safeguard the item. Memo Property procedures will be as follows:

(1) Each MCCS activity will draft written procedures specifying the criteria by which property will be classified and controlled as Memo Property. Guidance for inventory control over expendable property (assets with an acquisition cost less than $2,500) should be based on the sensitivity of the item and whether it is highly pilfer able. For example, physical control over a large heavy item (e.g. file cabinet) with a large dollar cost ($1,000) would not be difficult to maintain, would not be

considered sensitive, and therefore would not be controlled. Small items (computers, calculators, tools and equipment) with smaller collar values (e.g. $300-$500) which could be considered sensitive or highly pilfer able should be controlled on inventory. Memo Property will be recorded on a consolidated property record with each item supported by a separate property stock record.

(2) Memo Property may be maintained within the FMS at a zero cost or with a value with no depreciation taken. Accountability over Memo Property will be similar to accountability over fixed assets noted in the above paragraphs.

(3) Interim results should be reconciled to the Memo Property records, with differences properly investigated and resolved.

f. APF Property Procedures

(1) The MCCS activity will designate a person(s) who will retain property records and be responsible and accountable for all appropriated fund property issued to the MCCS activity by the installation's appropriated property control officer.

(2) APF plant property will be recorded on the installations's APF control officer's property control records and controlled accordingly.

(3) Physical inventories shall be performed and reconciled to the property control records per appropriated property governing directives. Differences shall be properly investigated and resolved to the satisfaction of both the installation and MCCS activities.

(4) APF property may be temporarily loaned. However, permanent transfers of APF property require the approval of the installation APF property control officer.

(5) When APF property is no longer needed and is returned to the nearest Defense Reutilization and Marketing Office (DRMO), a statement will be made that it was previously obtained from APF surplus/excess sources. No part of any proceeds from sale or other disposition is due to the local installation. For recreation type property reported to CMC (MRD) for disposition, a copy of the Certificate of Disposition is furnished to the Property Disposal Officer.

11. Property Maintenance. This section provides guidance for effective maintenance of all property acquired for, and used by, the MCCS Program. Commanders must ensure that MCCS equipment is maintained in good operating condition and that subordinates are complying with current procedures and regulations.

a. The MCCS Director shall conduct a continuous inspection program to evaluate equipment and facilities and ensure that they are in top operating condition, and that all required equipment safety features are attached and properly functioning. In areas where unsupervised children may be subject to injury, signs shall be posted which shall prohibit the presence of children, unless accompanied by an adult. Liaison with the installation's fire, safety and medical officers shall be maintained to ensure that satisfactory safety and sanitary standards are being met.

b. Local directives and/or activity SOP's providing guidance that shall ensure proper care of all MCCS equipment shall be published. These directives shall include:

(1) Operating instructions for users, including safety precautions where required. These are particularly desirable for items such as outboard motors, hobby craft machinery, sailboats, powerboats, canoes, etc. Whenever practical, instructions and safety notices shall be attached to the item or posted in the immediate vicinity, but in all cases they shall be made available to all users.

(2) Preventative maintenance schedules to ensure that qualified personnel make periodic inspections of all items.

(3) Establishing and maintaining a record system reflecting periodic inspections and any action taken; e.g., servicing, replacing parts, repair, etc.

c. Equipment issue rooms shall be well-ventilated, dry, and protected against pests. All incoming equipment shall be inspected for damage or defects, repaired, and stored in the proper place immediately. This is particularly important after a season's use.

d. All MCCS NAF motor vehicles shall be operated per the provisions on operations, safety, accident prevention and reporting, registration, identification marking, and maintenance management and record keeping contained in Chapters 2, 5, 6, and 7 of reference (q).

12. Property Accountability

a. Accountability is inherent to command responsibility. In these instructions, accountability devolves upon commanding officers who are required to maintain an account of property within the installation. These individuals shall retain accountability, regardless of whether the property is in their possession for storage, use, or in the possession of others to whom it has been entrusted for use and safekeeping. Commanding officers may delegate that portion of their duties regarding property control to the local MCCS activity or to the supply/property control officers.

b. Property, whether financed from APF, NAF, or a combination, shall be accounted for by either the supply/property control officer or the local MCCS activity.

c. When the source of funds for original procurement cannot be determined, the item shall be considered to have been procured with APF.

d. Primary property records for Class 2 (Building) Plant Property; regardless of the source of funds, and Classes 3 and 4 Plant Property procured with APF shall be part of the Marine Corps Plant Property Account. (At those installations where there is no Marine Corps Plant Property Account, the Marine Corps supply/property control officer shall account for items categorized as plant property.)

e. Property shall be recorded at the original acquisition cost less cash discount plus freight-in and installation cost plus the cost of additions, modifications, or enhancements. If the original cost is not known, an estimated value shall be assigned. In determining the estimated value, reference should be made, where possible, to manufacturer's price lists, cost of similar items, and such other sources of information as may be available. Property on loan shall be controlled using appropriate issue and signed receipt documents. A certificate of disposition must be approved by the commanding officer or designated representative before a fixed asset may be dropped from a Property and Depreciation Record.

f. Officers Designated to Maintain Property Control

(1) In units having an established MCCS NAFI, the MCCS Director is directly responsible for the accountability, care, maintenance, issue, recovery, and appropriate disposition of all

MCCS property used by the installation. If a billet is established for the physical control of MCCS property, such as an MCCS Property Custodian, the specific duties and responsibilities shall be set forth in writing by the MCCS Director.

(2) The commanding officer of a unit not maintaining an established MCCS NAFI shall designate the supply/property control officer as the individual responsible for the accountability, care, maintenance, issue, recovery, and appropriate disposition of all MCCS property. MCCS equipment items shall be accounted for by the supply/property control officer and picked up on property control records similar to other Marine Corps property and as indicated below.

13. Property Control Procedures

a. General. Property used by MCCS activities shall be accounted for and controlled by the MCCS activity. Three types of property accounts, (1) APF Property, (2) Nonexpendable NAF Property (fixed assets), and (3) Expendable NAF Property, supported by Property and Depreciation Record cards (NAVCOMPT 742) or Stock Record cards (NAVCOMPT 742-1) shall be maintained by the MCCS activity per references (j) and (n). Unless specifically required in other directives, the various records and forms described here may be substituted or modified to work with local automated systems, provided there is no loss of data which the prescribed records and forms are designed to provide. Commercial journals, ledgers, and forms may be procured or devised locally if the forms provide the same data that the prescribed forms were designed to provide. Subaccounts may be established at the discretion of the MCCS activity or property control/supply officer.

b. APF MCCS property shall be accounted for on stock record cards which are clearly annotated as APF property and maintained in one account, separately from NAF property cards. APF property such as office machines and other organic property on loan from the APF supply/property control officer are exempt from this requirement. The MCCS activity shall maintain an APF Property Record Account to show the dollar value of the APF property account. This record shall be maintained in general ledger account form, but it shall not be included in the net worth of the local MCCS activity. Excess APF property issued to MCCS activities must be recorded and accounted for as other property procured with APF per reference (r).

c. The Nonexpendable NAF Property (Fixed Assets) Account includes items which ordinarily retain their original identity during their period of use, are not consumed in normal use, have a unit acquisition cost of $2,500 or more, and a useful life of 2 years or more. Each item or group of like items procured with NAF and classified as nonexpendable NAF property shall be listed on Property and Depreciation Record cards. (Note: Items grouped as nonexpendable fixed assets must meet the same criteria as a single fixed asset item (see above criteria). When purchases are made in bulk for like items, such as, a set of chairs, and the total cost is $2,500 or more, regardless of the unit cost, the items may be capitalized and depreciated. The Nonexpendable NAF Property Record Account shall record the dollar value of all property listed and shall be maintained in the general ledger of the MCCS activity. It is included in the net worth of the NAFI. At least annually the total value recorded on the subsidiary records shall be reconciled to the corresponding general ledger account balance.

d. Expendable NAF property is defined as property with a life expectancy of less than 2 years acquired by purchase, gift or transfer and has a unit acquisition cost of less than $2,500.

(1) Expendable property includes supplies and materials, which after issue are immediately consumed in use, incorporated in other property, or are used to repair other property, losing their separate identity. If used immediately, these items are charged to operating expense. If they are purchased to be used in future periods, they shall be recorded as prepaid supplies.

(2) NAF special and controlled items defined below shall be recorded on a consolidated property record memorandum with each item supported by a separate property and depreciation record or stock record as subsidiary records. These records shall not be recorded in the general ledger account as assets but expensed upon receipt.

(3) All other expendable property stored in the warehouse or storeroom shall be recorded on stock records. Issues from the storage area shall be based on numbered and controlled requisitions and expensed from prepaid supplies.

e. Each item of nonexpendable-type property procured with APF or NAF shall be given an inventory number that shall be permanently affixed to the item. This number shall appear on all official inventories to assure positive identification. In order to determine the source of funds from which procurement

was made, the inventory number shall be preceded by the letter "A" to indicate the item was procured with APF or by the letter "N" to indicate the item was procured with NAF.

f. Special Items. Regardless of value or source of funding, the following items shall be accounted for and supported by property and depreciation records as follows:

(1) Organizational-Type Firearms in the Marine Corps Supply System and "loaned" to MCCS. Those firearms carried, as a standard item of equipment in the Marine Corps Supply System and "loaned" to the MCCS shall continue to be accounted for by the property control officer and signed out to the custodian of the MCCS activity on a memorandum receipt. The custodian of the MCCS activity shall control these weapons on Equipment Custody Records (NAVMC 10359) and record the serial number of each weapon on the property and depreciation record.

(2) Commercial-Type (Nonmilitary) Firearms. All firearms, other than the standard items of issue in the Marine Corps Supply System, acquired for recreation purposes, regardless of the source of funds, shall be accounted for by the MCCS activity custodian. These firearms, with complete nomenclature and serial number, shall be recorded and accounted for on a NAVCOMPT 742. In instances of inadequate security or lack of proper storage space, accountability may rest with the supply/property control officer. The provisions of reference (s) concerning the Marine Corps Serialized Control of Small Arms System are applicable to all weapons used in the MCCS recreation program.

(3) Animals. Animals, regardless of value, which are acquired for recreational purposes shall be accounted for by the MCCS activity. Accounting data shall be recorded on the NAVCOMPT 742 and the total cost of the animal(s) shall be entered in the NAF accounts as appropriate. In lieu of the assignment of an inventory number, a description card, devised locally, shall be maintained for each animal for identification. This descriptive card shall contain the name and accurate description of each animal purchased or acquired and, if desired, a picture of each animal.

g. Issuing MCCS Property. To facilitate control and to ensure maximum use of items, AC/Ss or Directors MCCS or their designees shall specify time limits on issue periods for items in excess of $50 which are in great demand.

(1) Temporary Period. A signed NAVCOMPT 744, Custody Receipt, shall be obtained from the individual receiving the property. The receipt shall be returned to the individual when the property is returned. If property is lost or returned in damaged condition, see below.

(2) Indefinite Period. MCCS property custodians shall maintain a file of the signed NAVCOMPT 745, Custody Record, obtained from individuals charged with accountability of property issued for an indefinite period. This includes such items issued to branch issue rooms or subordinate elements of the command. A receipt shall be issued to the individual when the property is returned.

(3) Expendable Items Not Intended For Return. These items are considered to be in the category of general use and when issued shall be dropped from the property and depreciation record. Issues from the storeroom or warehouse shall be listed on pre-numbered and controlled requisitions.

h. Lost, Destroyed, or Damaged Property. When the return of equipment loaned or otherwise issued for MCCS purpose is required, personnel shall be notified of their obligation to return such property in the same condition as when issued, normal wear and tear accepted. Such notification shall include a statement that if the property becomes lost or is damaged due to negligence, the user shall agree to replace the property in question. If property is damaged or lost, the individual who received the property shall sign a statement on the reverse of the custody receipt stating the circumstances related to the loss or damage. This receipt shall be furnished to the MCCS property custodian for whatever action is deemed necessary. If the loss or damage of the property involves criminal conduct, the individual concerned may be also subject to disciplinary action according to law.

i. Any funds paid by an individual as a result of an "in cash" replacement or any funds paid by an insurance company for lost, destroyed, or damaged NAF property, covered by insurance, shall be deposited to the MCCS NAFI. In those situations where the recovery involves both insured NAF property and other insured government property, the recovery of NAF property remains with the MCCS activity. Recovery for appropriated damaged property should be deposited to the Navy General Fund Receipt Accounts per the JAG Manual. Appropriate documentation should be included in every claims file.

j. Property Control Procedures for Marine Corps (Regular) Post and Station Activities not Maintaining an Established MCCS NAFI. The supply/property control officer shall be the accountable officer for all MCCS property and shall follow the policies outlined above except that financial accounting ledgers shall generally be kept at a separate location where there is an established NAFI supporting the unit.

14. Vehicle and Boat Marking Registration

a. MCCS owned vehicles, including those obtained from a DRMO, will upon acquisition, and be promptly reported to CMC (MRG) for assignment of a registration number and for record purposes. MCCS owned and operated vehicles will comply with the provisions on operations; accident prevention, and reporting; registration, identification, and marking; and maintenance management as shown in reference (q).

b. The report/request for a registration number made for an MCCS owned vehicle will indicate the type/size of vehicle, model, year of manufacture, date of purchase, the manufacturer's serial number assigned, and that the vehicle was purchased with NAF.

c. Boats. Boats are not considered vehicles and do not require a Marine Corps registration number. All installations having recreation-type boats are required to pay a registration fee, if such a fee is imposed by the state in which the boat is registered. If such a fee is imposed, the installation may attempt to obtain an exemption from payment by identifying that the boat(s) are owned by a federal instrumentality of the Armed Services.

d. The Federal Boat Safety Act of 1971 requires all powered pleasure and recreational craft, including those federally owned, to have a number issued by the proper issuing authority in the state where the vessel is principally used. Although the Act requires the numbering of mechanically propelled vessels, states may require the numbering of vessels without propulsion. These vessels will be registered and numbered by either the Coast Guard or state issuing authority.

15. Fixed Asset Disposals and Transfers

a. Disposals. For NAF property and equipment fixed asset disposals, either a Certificate of Disposition, NAVCOMPT Form 2212 or a Merchandise Property Survey Record Form 438-1 will be completed and signed by the MCCS Director, or designee. The form will contain all pertinent data to include reason for disposal of the item(s) listed. When an item(s) is used for trade-in, the sales invoice or contract may be used in addition to the disposition/survey record. The disposal will be recorded in the FMS.

(1) MCCS owned property and equipment procured with NAF may be disposed of by the local MCCS Director in a manner that is in the best interest of the MCCS activity. Items that are candidates for disposal must either be damaged beyond repair, unfit for use or trade-in, unserviceable, or excess to the MCCS's needs.

(2) Property and equipment may be disposed of by sealed bid, auction, open advertisement to the public, transfer to another MCCS activity, or turned in at a DRMO. Property and equipment with no market or salvage value (i.e. evidenced by an unsuccessful attempt to sell) must be transferred to a DRMO for disposal.

(3) CMC (MR) owned property and equipment at local MCCS activities will not be disposed of without authority from CMC (MR).

(4) When an asset is traded-in at time of purchase, the new asset will be recorded at the amount paid plus the trade-in allowance for the old asset. The acquisition cost and accumulated depreciation of the traded-in asset are removed from the accounting records. If the trade-in allowance is less than the book value of the old asset, then a loss will result. If the trade-in allowance is more than the book value of the old asset, the difference is subtracted from the acquisition cost of the new asset. No gain is recognized.

(5) When a fixed asset inventory indicates that an asset, established under the grouping concept, has sustained at least 25% loss or damage of the original value, then the records will be adjusted accordingly. If this adjustment results in the group asset value falling below $2,500, then the balance will be written-off.

(6) Requests to dispose of computer property and equipment owned by the MCCS activity should be sent to the CMC (MRI) and include fixed asset number and description along with the reason for the disposal. The request should be signed by the MCCS Director, who is the custodian of the property, and should provide a point of contact. CMC (MRI) will provide a response to the MCCS Director within 30 days.

(a) If the decision is to deny the disposal, the CMC (MRI) will provide guidance describing an alternate course of action.

(b) If the request is approved, a copy of the disposal/survey record, NAVCOMPT Form 2212 or a copy of the DD Form 1348-1 (i.e., if disposed of through DRMO) will be forwarded to the CMC (MRI) when the transfer is made. This document will certify the proper disposal of the property and will be used as authorization to remove the asset from the official records. Missing item(s) will be subject to an investigation by an officer designated by the commander, and a report of the findings submitted to CMC (MR).

b. Transfers. Transfers to a DRMO will be according to chapter 5 of reference (o), using DD Form 1348-1, DOD Single Line Item Release/Receipt Document, accompanied by either a disposition or survey record. Both the disposition or survey record and DD Form 1348-1 will denote that the item(s) was purchased with NAFs. In addition, blocks BB through EE of the DD Form 1348-1 will carry the statement "Proceeds Percent from the sale of this item(s) will be returned to the MCCS Activity" as authorized in Chapter XIV, paragraph K.7 of reference (p).

(1) Transfers to other NAFIs. Property and equipment may be physically transferred from one MCCS activity to another MCCS activity. Each installation will make appropriate adjusting entries to properly account for the asset in the FMS according to the FMS Users Guide.

(2) Transfers to CMC (MR). All construction projects $200,000 and above, regardless of the funding source, shall be transferred to CMC (MRD) CCF for depreciation. Locally funded construction projects under $200,000 shall be depreciated by the local installation. All projects approved for CCF construction/renovation, regardless of funding level, shall be depreciated at CMC (MRD). The journal entries to record transfers to CMC (MRD) are:

Installation Entry:

| | | |
|---|---|---|
| Debit | 3401 | Operating Capital |
| Credit | 18XX | Fixed Asset Property Account |

CMC (MRD) Entry:

| | | |
|---|---|---|
| Debit | 18XX | Fixed Asset Property Account |
| Credit | 3401 | Operating Capital |

16. Post Occupancy Evaluation of Facilities. In the interest of efficiency, it is vitally necessary to learn from experience. Approximately one full fiscal year after occupancy of the new MCCS facility, CMC (MRF) shall submit a narrative report and a revised Internal Rate of Return (IRR) comparing pre-construction assumptions to actual figures. The narrative will compare pre-construction to post construction of the following figures, construction cost, Sales, Gross Profit, Net Operating Profit and IRR%. All reports will be presented to CMC (MRD), CMC (MRF) and Construction Committee.

# Chapter 7

## Military Clothing Sales Stores (MCSS) Management Fee

1. General Information. These are the accounting procedures for the operation of the Military Clothing Sales Stores (MCSS's) by the MCCS activities at designated installations.

a. Military Clothing Stock Fund Loan (MCSF). The value of the stock fund loan as of 31 October 1986 and any additional start-up stock fund loans after 31 October 1986, will remain unchanged except under the following conditions:

(1) Sustained sale increases, which justify additional, inventory levels. When an MCSS is impacted by significant sustained sales increases, the request for additional stock funds will be made to CMC (MRF) with the average monthly sales data, which justify the increases. The inventory level should support three to four months of average sales depending on the location and number of outlets being operated. Average monthly sales are computed by averaging the prior 24 months of actual sales. Normally, an increase of stock funds will only be made if the actual inventory level is more than 15 percent below the desired level.

(2) In the event CMC (LPC-2), with the concurrence of CMC (LPC-2), declares an item on hand within the MCSS obsolete, the value of the Consolidated Memorandum Receipt (CMR) will require a decrease.

(a) Items will be declared obsolete and directed to the Defense Reutilization and Marketing Office (DRMO) only after all avenues for use of the item have been exhausted.

(b) The COMMARCORLOGBASES (Code 584-2), Albany, GA will direct disposal action.

(c) When disposal action has been directed, the MCSS will prepare the appropriate DOD single Line Item Release/Receipt Document (DD Form 1348-1) to transfer the items to DRMO. Duplicate copies of the DD Form 1348-1 will be attached to the disposal directive and forwarded to CMC (MRX). CMC (MRX) will coordinate the disposal action with CMC (LPC-2) and COMMARCORLOGBASES (Code 55), Albany. The coordination

action will include appropriate adjustment to the MCSF balance and CMR, if needed. The journal entry for removal of this disposal is:

| | | |
|---|---|---|
| Debit | 6504 | DSCP Defec Clo/NonRecover |
| Credit | 5601 | Gross Purchases Non RMS |

(3) Additionally, at any time it is determined that assets excess to the operating requirement for clothing exist within the MCCS system, CMC (MRF) will refund to the MCSF the value of the excess, and the CMR will be adjusted accordingly.

(4) Replenishment of issue-type DSCP military clothing and accessories, required as the result of sales, is according to the Standard Military Requisitioning and Issue Procedures (MILSTRIP). Payment for billings under the MILSTRIP procedures will be made upon receipt of the Interservice Billing (NAVCOMPT 2277) by the MCCS activity.

b. DSCP Receiving Procedures.

(1) Receipt of DSCP Goods. Upon receipt of DSCP goods, the actual quantities received should be recorded on DD Form 1348-1 (Packing Slip). Note any discrepancies between quantities shipped and quantities received.

(a) If there are discrepancies in the shipment, the appropriate section, depending on the type of discrepancy, must prepare the Supply Discrepancy Report (SDR), SF 364, or the Transportation Discrepancy Report (TDR), SF 361. SDR is used for reporting shipping type discrepancies and packaging and is normally prepared by the receiving or warehouse section. The transportation officers at the receiving activities prepare the TDR to report transportation discrepancies shipped by traceable means including UPS.

(b) The packing slip, DD Form 1348-1, with the quantities received annotated together with all SDRs or TDRs, if applicable, is used to support the receipt of goods on the Receiving/Warehouse Activity Daily Report. The Activity Daily Report together with the supporting documents, including any SDRs, are forwarded to the accounting department.

(2) Accounting Department. Upon receipt of the Receiving Warehouse Activity Daily Report and the supporting documents (DD Form 1348-1's) and SDRs, if applicable, the accounting department will record each Receipt of Goods (DD Form 1348-1) separately as follows:

(a) If DSCP Invoice/Bill (SF 1080) has not been received:

1. And there is no discrepancy between quantity shipped and quantity received, the journal entry to record no discrepancies is:

| | | |
|---|---|---|
| Debit | 5601 | Gross Purchases Non-RMS |
| Credit | 2104 | DSCP Invoice Not Received - should be credited for the full amount reflected on DD Form 1348-1. |

2. And if there is a discrepancy between quantities shipped and quantities received, the journal entry to record discrepancies between quantities is:

| | | |
|---|---|---|
| Debit | 5601 | Gross Purchases Non RMS for the value of goods actually received |
| Debit | 1212 | Claims Against the Carrier/Post |
| Credit | 2104 | DSCP Invoice Not Received |

or

| | | |
|---|---|---|
| Debit | 5601 | Gross Purchases Non-RMS |
| Debit | 1213 | Claims Against DSCP |
| Credit | 2104 | DSCP Invoice - Not Received |

(b) If the DSCP Invoice/Bill (SF 1080) has been received and processed:

1. There is no discrepancy between quantities shipped and quantities received. The journal entry to record the full amount as reflected on the DD Form 1348-1 is:

| | | |
|---|---|---|
| Debit | 5601 | Gross Purchases Non-RMS |
| Credit | 2101 | Vouchers Payable |

2. There is a discrepancy between the quantities shipped and the quantities received. The journal entry to record the original or total amount as reflected on DD Form 1348-1 is:

| | | |
|---|---|---|
| Debit | 5601 | Gross Purchases Non RMS |
| Debit | 1212 | Claims Against Carrier/Post |
| Credit | 1513 | Goods in Transit - DSCP |

or

| | | |
|---|---|---|
| Debit | 5601 | Gross Purchases Non-RMS |
| Debit | 1213 | Claims Against DSCP |
| Credit | 1513 | Goods in Transit - DSCP |

(c) The MCCS accounting department will retain copies of all of the Supply Discrepancy Report's (SF 364) and Transportation Discrepancy Reports (SF 361) without regard to the amount of the discrepancy.

c. Payment Identification. Each and every payment made to DSCP must include the bill number of the SF 1080 for which payment is being made. It is also essential to include your activity address code so that proper credit to your account will be recorded by DSCP. The activity codes are as follows:

| INSTALLATION | ACTIVITY ADDRESS CODE | SUPPLEMENTAL ADDRESS CODE | ROUTING IDENTIFIER CODE |
|---|---|---|---|
| HQMC Henderson Hall | M99A01 | MMXH10 | MH7 |
| Camp Allen | M99A02 | MMXM10 | MM7 |
| MCAS Cherry Point | M99A03 | MMXN10 | MN7 |
| MCB Camp Lejeune | M99A04 | MMXL10 | ML7 |
| MCAS Yuma | M99A06 | MMXY10 | MY7 |
| MCLB Albany | M99A14 | MMXA10 | MA7 |
| MCAS Miramar | M90019 | M90023 | MS7 |
| MCAGCC Twentynine Palms | M99A07 | MMXT10 | MT7 |
| MCB Pendleton | M99A08 | MMXC10 | MC7 |
| MCB Hawaii | M99A09 | MMXK10 | MK7 |
| MCAS Iwakuni | M99A10 | MMXI10 | M17 |
| MCLB Barstow | M99A11 | MMXB10 | MB7 |
| MCAS Beaufort | M99A16 | MMXA16 | MX7 |
| MCCS South Carolina | M32171 | M32172 | M29 |

d. DSCP Invoices. The DSCP invoices (SF 1080) are prepared and forwarded monthly. This invoice includes all single MILSTRIP procurement documents (DD Form 1348) that were

processed and shipped or made ready for shipment by DSCP for the previous 30 days. Upon receipt of the DSCP invoice (SF 1080), the accounting department should review and determine the status of each item (DD Form 1348 document number and amount) listed on the invoice.

e. Payment of DSCP Invoices. As can be ascertained from the preceding; overages, shortages, other shipping and receiving discrepancies, or quality deficiencies do not impact on the MCCS activities payment of DSCP invoices/bills.

(1) All DSCP invoices and bills are to be paid in full as billed, with restitution to the MCCS activity for discrepant shipments handled through SDR/TDR A/R claim procedures, or other losses if appropriate. According to reference (t), a SDR may be filed for each discrepant condition per line item and a TDR will be filed for all transportation discrepancies. All SDR/TDR claims that are denied will be dropped from A/R and charged to the appropriate expense account.

(2) MCSSs that receive items of DSCP military clothing that do not comply with any or all of the established standards for specifications, design, material, manufacturing, or workmanship of articles used by the Marine Corps are required to report such deficiencies. To report deficiencies and obtain reimbursements, a MCSS will submit Quality Deficiency Reports (QDRs) (SF 368), according to reference (u), to Commander, Marine Corps Logistic Bases (L15), Albany, GA 31704-5000. The journal entry to record the amount of the QDR is:

| | | |
|---|---|---|
| Debit | 1214 | Claims Against DSCP-QDRS |
| Credit | 5601 | Purchases to Non RMS |

QDR claims will never need to be written off against expense. Even though a lengthy process, a QDR claim will eventually be honored and appear as a credit on a DSCP invoice/bill, allowing the A/R to be cleared.

f. Gratuitous Issue Clothing

(1) The commander or designee of the Marine concerned will prepare the form, NAVMC 604/604b, and the MCSS manager or designee will issue the clothing according to reference (v). The form NAVMC 604/604b will contain the appropriate expense account information to which the cost of the issue will be charged. The commanding officer will forward the completed form NAVMC 604/604b to the MCCS activity.

(2) On a weekly basis, the MCCS accounting will consolidate all of the gratuitous issue slips which reflect the same appropriated fund expense account number, prepare SF 1034 for each expense account number, and forward the original form NAVMC 604/604b and SF 1034 to the disbursing officer for payment.

(a) DD Form 1149 (Bulk Requisition for Chevrons or Clothing)

1. The commander, or designee, will complete the DD form 1149 Requisition and Invoice/Shipping Document, to include the citation of the local Operation and Maintenance (O&M) appropriation to be charged, and forward the same to the MCSS.

2. The MCSS will forward the original DD Form 1149 under a prepared, certified SF 1034 to the disbursing officer for reimbursement.

g. Accounting for Uniform and Accouterments for Burial Purposes. To collect for these items, management will prepare and submit to the local disbursing officer for settlement Public Voucher for Purchases and Services other than Personal (SF 1034) with an itemized invoice indicating individual unit cost. A ten percent handling charge will be added to the items procured from commercial sources. The name, grade, SSN, and component of the deceased must be included. A copy of the voucher will be furnished by the commanding officer of the activity ordering the items of uniform or accouterments. All purchases will be charged to Decedent Affairs Program Funds. See Reference (w).

h. Alterations. The cost of alterations, provided free to the purchaser as prescribed in the preceding, is an appropriate expense element for reimbursement through the management fee and should be charged to DSCP Gratuitous Alterations-Military Clothing Sales Account Number 6501. The use of exchange direct operated tailor shops is authorized for this type of alterations; however, care must be taken to ensure that the cost of alterations provided by the exchange is as low or lower than the prices available from the commercial sector. The retail operations will be responsible for providing alteration service, either through direct operation or contract.

2. Automated FMS for Military Clothing Sales Stores. As it pertains to the MCSS operations, the MCCS FMS will provide a consolidated profit and loss statement for all cost centers

providing Defense Supply Center Philadelphia (DSCP) operations along with the recovered military operations.

3. Cost Centers

a. Accounting control of the military clothing income and expense elements will be through the assignment of standard NAF cost centers for use by all MCCS operating MCSS. The unique cost centers will be used without regard to whether the military clothing stores are integrated with the uniforms and accessories purchased from commercial sources or whether they are maintained in a separate facility.

b. Separate cost centers and EPOS class/subclass transaction codes have been established to report monthly sales activity for all DSCP and system items.

c. Recovered military clothing is assigned a separate cost center number. For the purpose of control, recovered military clothing will be offered for sale only at the main military clothing sales outlet.

d. Uniform and accessory sales of commercially procured items are assigned different cost center numbers consistent with current accounting procedures.

4. MCSS Chart of Account Numbers

a. In addition to the normal chart of accounts, accounting for MCSS cost centers requires account numbers unique to the operation:

1213 Claims Against DSCP - SDRs
1214 Claims Against DSCP QDRs
1505 Military Clothing Inventory - DSCP
1506 MCSS Inventory - 782 Gear
1507 Combat Utility Uniforms & Accessories
1513 Goods-in-Transit - DSCP
2103 Vouchers Payable - DSCP
2104 DSCP Invoices Not Received
2801 Marine Corps Stock Fund L/T Loan
2805 MCCS Loan - 782 Gear
2811 Marine Corps Stock Fund Inventory Value Price Adjustment
2812 MCSS Inv Price Adjustment - 782 Gear
2813 MCCUU Price Change Adjustments
6501 DSCP Gratuitous Clothing Alterations

6502 DSCP Renovated Recovered Clothing
6503 DSCP Accessorial/Service Charges
6504 DSCP Defective Clothing/Nonrecoverable
6505 Short/Damaged Clothing
6506 DSCP Uncollectible Accounts
6507 DSCP Investment Loss
6508 DSCP Inventory Overage/Shortage
6510 DSCP General Administrative Overhead
6705 Freight
6736 DSCP General & Administrative Overhead (Contra)
8401 DSCP Management Fee
8402 DSCP Retail Loss Allowance
8404 DSCP Recovered Military Clothing
8406 DSCP Other Income

b. Account definitions for Military Clothing accounts will be updated and presented by 1 October each year by CMC (MRF).

5. Management Fees

a. MCSS operations shall be break-even. This result is accomplished through the recovery of an MCSS Management Fee. All MCSS income and expense elements must be properly identified and recorded. When collocated with other direct operations, and direct costs such as salaries and other related expenses are not directly charged to the MCSS activity, authorized MCSS operating expenses must be prorated to the MCSS activity. The term collocated activity means that DSCP and commercial items are collocated in and sold from the same MCSS activity. Within this collocated activity, the adjusted sales of DSCP items and the commercial items sales are used to prorate the expenses. The MCSS is considered non-collocated when only DSCP items are sold in that location. The management fee must be calculated on the Management Fee Calculation worksheet and the fee recorded on the Management Fee Invoice. A template of both will be located on the MCCS intranet.

(1) The following steps are used to prorate the operating expenses:

Step (1). Adjust the Military Clothing (DSCP - type clothing)to reflect a gross profit margin comparable to the collocated activity.

| | |
|---|---|
| Military Clothing Net Sales | $100.00 |

| | |
|---|---|
| Divided by collocated activity's cost of goods percentage | 80% |
| Adjusted Military Clothing Net Sales | $125.00 |

Step (2). Add the adjusted military clothing net sales to the net sales of the collocated activity and prorate the expenses to the net sales accordingly.

| | Dollars | Percentage |
|---|---|---|
| Adjusted military clothing net sales | $125.00 | 40% |
| Collocated activity's net sales | $187.50 | 60% |
| Total Net Sales | $312.50 | 100% |

Step (3). The direct expenses that are prorated by the percentages computed in Step (2) are as follows:

6101 Salaries and Wages
6102 FICA Tax
6103 Annual Leave
6104 Sick Leave
6139 Overtime
6140 Training Salary/Wages-Job Related
6202 401k Employer Share
6203 Group Benefits
6204 Group Retirement
6209 Employee Incentive/Service Awards
6214 Foreign Nationals Retirement Allowances & Bonuses
6215 Foreign Nationals Retirement Offset
6218 Employee Uniforms
6220 Other Employee Expense
6261 Employee Reimbursement Travel/Trans
6262 Vehicle Maintenance & Gas
6266 Contracted Labor
6303 Postage
6304 Telephone
6306 Utilities
6403 Renewals, Replacements and Minor Equipment
6405 Maintenance Contracts
6406 Depreciation Expense-Property and Equipment
6408 Depreciation Alteration/Improvements
6410 Repairs & Maintenance
6418 Rental

6701 Conferences & Seminars
6703 Printing & Reproduction
6704 Protective Services
6708 Audit/Inventory Services
6709 Supplies Expense
6710 Debit/Credit Card Fee
6712 Laundry/Dry Cleaning
6713 Cash Overage/Shortage
6725 Miscellaneous

The following expense and income accounts are direct expenses of the DSCP clothing operation and DSCP income accounts and do not require any proration:

6501 DSCP Gratuitous Clothing Alterations
6502 DSCP Renovated Recovered Clothing
6503 DSCP Accessorial/Service Charges
6504 DSCP Defective Clothing/Nonrecoverable
6505 DSCP Short/Damaged Clothing
6506 DSCP Uncollectible Accounts
6507 DSCP Investment Loss
6508 DSCP Inventory Shortages
6510 DSCP General Administrative Overhead
6705 Freight
8402 DSCP Retail Loss Allowance
8404 DSCP Recovered Military Clothing
8406 DSCP Other Income

(2) The support expense is calculated by prorating a share of the total net profit or loss of the 9000 cost centers, net of Uniform Funding and Management (UFM) Practice reimbursement. Include the following support cost centers when calculating the support expense:

9001 Support Act Return Orders Warehouse
9003 Support Act Warehouses
9010 Fiscal
9011 Personnel
9012 Automated Data Processing
9013 Administrative
9014 Construction
9016 Management Analysis & Control
9017 Maintenance
9018 Purchasing
9019 Warehousing & Distributing
9020 Operations
9023 Training

9097 Headquarters Activity
9098 Command Activity
9900 MCCS Level Overhead
9911 Personnel Unit

Do not include cost center 9015 Marketing or any "ORGs" (COMP CCTR CK, XXX XXXX XX) utilizing the 9015 cost center in the calculation of the support expense.

Step (1). Calculate the Military Clothing direct sales percentage:

| | Dollars | Percentage |
|---|---|---|
| Military Clothing Net Sales (DSCP Uniforms, 782 Gear, and Recovered Clothing Sales) | $ 432,598 | 5.25% |
| Total Direct Net Sales MCCS (including Commercial Uniform Sales) | $7,810,598 | 94.75% |
| Grand Total Direct MCCS Net Sales | $8,243,196 | 100.00% |

Step (2). Apply the Military Clothing percentage to the total Support expenses.

| | |
|---|---|
| Support Total Expenses | $668,985 |
| Military Clothing Prorated Support Expense | $ 35,121 |

(3) The Management Fee is the result of combining prorated actual expenses, the direct expenses for DSCP clothing and the prorated support expense.

(4) The journal entry to close the Military Clothing cost center should be:

| | | |
|---|---|---|
| Debit | 1207 | Government Activities |
| Credit | 8401 | Management Fee |

b. Monthly Fee Reimbursement. The MCCS activity will prepare monthly a Military Clothing Management Fee reimbursement invoice to be submitted to CMC (MRF) for payment. Include with the reimbursement invoice the computations of the prorated operating expenses at collocated DSCP and Commercial Military

Clothing cost centers, and the General Administrative Overhead/Support expense included in the Management Fee. CMC (MRF) must receive the invoice and computations on the 2nd working day of the month-end close of the preceding month. Any invoices received after the 2nd working day after the month-end close will be paid in the month thereafter except July, August and September, which must be received on the 2nd working day after the month-end close of the month due to the approaching end of the appropriated fund fiscal year. Forward the estimated July, August and September Management Fees with the submission of the June and July bill, and refine the August and September estimate with submission of the July and August bill to CMC (MRF).

c. Payment. The Management Fee payment will be credited to the concentration bank account for each MCCS activity. The journal entry to record the Management Fee is:

| | | |
|---|---|---|
| Debit | 1119 | Concentration Banking |
| Credit | 1309 | MR Receivable (HQ) |

d. CMC (MRX) shall be reimbursed for the salaries and benefits of personnel required to support MCCS operations. CMC (MRF) will include the monthly reimbursement for CMC (MRX) Military Clothing operations personnel on the consolidated invoice to CMC (MRF).

e. The CMC (MRF) will ensure funds are obligated for the MCSS management fees.

f. To assist installations in tracking and forecasting annual execution of Management Fee requirements, CMC (MRF) will publish installation-level spending plans derived from historic funding levels/execution in support of each respective MCSS.

g. The computed management fees and documentation, consisting of the Management Fee Calculation Worksheet and the Management Fee Invoice, shall be submitted to CMC (MRF) for review and subsequent reimbursement.

h. Backup documentation for all management fee calculations shall be maintained by the installation MCCS Director for audit purposes.

i. CMC (MRF) will prepare a consolidated invoice that will include HQMC NAF costs associated with management of the MCSS program. The invoice, with copies of the field submissions,

will be provided to CMC (MRF) for preparation and submission of a SF 1034 (Public Voucher for Purchases and Services Other than Personal) to the Defense Finance and Accounting Service (DFAS). Upon receipt of the invoiced funds from DFAS, CMC (MRF) will reimburse the appropriate installation MCXs for the MCSS management fee payables through the MCCS' concentration bank account.

j. In the event that end of year forecasting exceeds the available MCSS balance, each installation will be required to submit a installation-endorsed deficiency statement to CMC (MRF) providing rationale for increases to the annual forecast.

k. CMC (MRF) will review execution reports to identify whether internal offsets are available within the Management Fee account.

l. If the budgeted total funding for the Management Fee is projected, by 15 September, to be inadequate during a given fiscal year, CMC (MR) will elevate the shortfall to CMC (P&R), through the CMC (M&RA) Funds Administrator, so that the net cost to the MCCS activity remains at zero.

m. If the budgeted total funding for the Management Fee is projected, by 15 September, to be an excess balance during a given fiscal year, CMC (MRF) will work with the CMC (M&RA) Funds Administrator to initiate realignment of the additional funding to P&R, so that the net gain to the MCCS activity is zero.

# Chapter 8

## APF Planning, Programming, Budgeting, Execution and Reporting

1. Planning, Programming, Budgeting, and Execution System (PPBES). The PPBES is the primary resource management system used within DOD. It is a cyclical process with four distinct phases that helps DOD plan how future force structure will look based on the current environment (i.e. threats to the United States, political environment, economic outlook, emerging technology, etc.). PPBES helps DOD identify mission needs, matches them with resource requirements, translates resource requirements into budget proposals, and executes funding allotted from Congress. The Deputy Commandant for Programs and Resources (P&R) manages the PPBES for the Marine Corps.

2. Planning

a. Planning is the first step in the DOD resource allocation process and identifies the capabilities required to deter and defeat perceived threats. It defines national defense policies, objectives, strategy and guidance for the upcoming programming phase regarding resources and force requirements to meet capabilities and objectives. The planning phase begins about three years in advance of the fiscal year in which budget authority will be requested.

b. The formal planning phase of PPBES is normally developed at the Service level and above. The CMC (MR) monitors Presidential, Congressional, and DOD-level plans to assess overall Quality of Life (QoL) implications, and ensures such plans are factored when developing MCCS-level plans. For example, a five-year Strategic Plan is developed jointly by the CMC (MR) and the Installations' MCCS Directors, and subsequently approved by the MCCS BOD. The current MCCS Strategic Plan can be accessed through the MCCS web site.

3. Programming

a. The purpose of programming is to allocate resources in support of DOD and Marine Corps roles and missions. Programming translates planning decisions and programming guidance into a detailed allocation of resource requirements including forces, personnel, and funds. The Services create the program-planning document called the Program Objective Memorandum (POM). The POM reflects force structure, manpower, operational support dollars, and procurement funding

requirements for each Service and DOD agency. During the POM creation and review process, new programs are created or increases to established programs occur. In other words, the POM process is where the Marine Corps establish the financial requirements and justifications for future funding levels.

b. Through various working groups, meetings, and discussions at the HQMC level, program sponsors consolidate the Operating Budget Holders' (OPBUD Holder) input, and advocate new initiatives and increases to established programs. POM submissions are vital since they lead to changes in future funding levels. The POM covers six future years of funding requirements and submissions are required every two years.

c. CMC (MR) is the MCCS Advocate in the POM process. The CMC (MR) publishes biennial guidance for the installations' participation in developing MCCS initiatives for the POM.

d. The POM funding decisions are contained in the Program and Budgeting Documentation Database (PBDD). The PBDD identifies MCCS resources by the following Marine Corps Programming Codes (MCPCs): Family Readiness Support (690102), Semper Fit (690202), MCCS Libraries (690302), Off Duty & Voluntary Education (690402), Marine and Family Services (690502), Children, Youth and Teen Programs (690702), Community Support (690802), MCCS Executive Oversight and Direct Command Support (690902), and Procurement and Supply Operation (631198). The POM decisions reflected in the PBDD form the basis of future budget submissions.

4. Budgeting

a. The budgeting phase occurs subsequent to the programming phase. It is at this point where installation organizations begin developing their individual budgets. The intent of this process is for the installation to internally address budget justification issues prior to elevating those issues to a higher echelon. The installations work diligently to put together a balanced request for funding within published fiscal constraints. The Budget phase at the Marine Corps level includes:

(1) Formulation. Ensures that programs are accurately priced, are executable and do not place Marine Corps resources at risk. The approved budget is then converted into the Budget Estimate Submission (BES).

(2) Justification. Presenting and defending budget estimates to Office of the Secretary of Defense (OSD) and Congress.

b. Annual MR MCCS/APF Budget. The CMC (MR) distributes annual MCCS budget recommendations, after coordination with CMC (P&R). The Operation and Maintenance, Marine Corps (O&M,MC) funding, by Major Command (e.g. MARFORPAC/MARFORCOM), often referred to as the OPBUD Holder, matches the OPBUD Holder's MCPCs totals in the applicable PBDD database. These projections are recommendations only and do not necessarily reflect the actual amount commanders will provide to their respective MCCS programs. However, budget totals are used to track execution as described in paragraph 7006. The PBDD does not include the OSD provided Operation and Maintenance, Defense Wide (O&M,DW) funding for the Family Advocacy Program (FAP), Relocation Assistance Program (RAP), or the Transition Assistance Management Program (TAMP). The PBDD also does not include Drug Demand Reduction (DDR) funds, which are provided by OSD, but are received in the O&M,MC Appropriation. All OSD provided funds are distributed separately, as designated by CMC (MR).

c. The installation commanders provide APF funds to MCCS Directors to support MCCS programs. The MCCS Directors consolidate both APF and NAF resources to develop a total MCCS budget for the installation.

5. Execution

a. The final phase of PPBES is execution, which entails: (1) authorizing and allocating funds received through the POM and budget process; (2) creating obligations and making disbursements that affect the authorized funds; (3) validating obligations and payments and reporting on budget execution results; and (4) modifying spending plans and reallocating resources based on changes in priorities, covering unbudgeted requirements, and maximizing efficient use of allocated resources.

b. APF Support to MCCS Programs

(1) MCCS Directors receive funding to support activities in the following MCPCs:

(a) Family Readiness Support
(b) Semper Fit
(c) MCCS Libraries

(d) Children, Youth and Teen Programs
(e) Community Support
(f) MCCS Executive Oversight and Direct Command Support
(g) Off Duty & Voluntary Education Program
(h) Marine and Family Services
(i) Procurement and Supply Operations

(2) Morale, Welfare and Recreation (MWR) Programs

(a) Programs that fall in MCPCs (1) through (6) above are MWR programs, as established by reference (e). Reference (e) separates these programs into Category A (Mission Sustaining), Category B (Community Support) and Category C (Revenue Generating). The minimum APF support for Category A programs is 85% of total category expenditures. The minimum APF support for Category B programs is 65% of total category expenditures. The basic standard, regardless of category, is to use APF to fund 100% of costs for which they are authorized.

(b) The Uniform Funding and Management (UFM) of MWR Programs was adopted to provide flexibility to both the commander and MCCS Director in maximizing the availability of APF and NAF support to the MCCS.

(c) APF costs for MCCS requirements can be allocated throughout all programs as necessary. However, at the end of a current APF fiscal year, MCCS costs should have been applied in the following priority: (1) to Category A programs to achieve at least 85% APF support; (2) to Category B programs to achieve at least 65% APF support; (3) to other MWR areas such as General Support; and (4) to Category C programs at remote and isolated installations.

(3) Remote and Isolated Installations. The following remote and isolated installations (per reference (e)) are authorized additional APF support to their Category C programs (same level as a Category B - 65%) due to their remote status and insufficient patron base to sustain revenue-based programs:

(a) Marine Corps Logistics Base (MCLB) Albany
(b) MCLB Barstow
(c) Marine Corps Recruit Depot (MCRD) Parris Island
(d) Marine Corps Air Ground Combat Center (MCAGCC) Twentynine Palms

(e) Marine Corps Air Station (MCAS) Yuma
(f) Marine Corps Base (MCB) Camp Butler (includes Camp Fuji)
(g) MCAS Iwakuni
(h) Marine Corps Mobilization Command (MOBCOM) Kansas City
(i) Marine Corps Mountain Warfare Training Center (MWTC) Bridgeport
(j) MCAS Beaufort

(4) Off Duty & Voluntary Education. Tuition assistance offers financial assistance to service members who elect to pursue Off-Duty or Voluntary Education. This program is centrally funded and executed by the CMC (MR). Education Center funding, executed at the local level, is also included in this MCPC.

(5) Marine and Family Services. Marine and Family Services receives O&M,MC funds for such activities as general counseling, Personal Financial Management and DDR. Marine and Family Services also receives O&M,DW funds for FAP, TAMP, RAP.

(6) APF Accounting System. Transactions entered into the APF accounting system should be recorded using the appropriate MCCS Cost Account Codes (CACs). When applicable, transactions that pertain to contingency operation costs must be recorded utilizing the appropriate Special Interest Code (SIC). Transactions recorded with inaccurate or omitted data elements cannot be classified accurately and could inhibit future funding levels. Due to standardization of fiscal codes, civilian labor CACs have been established to identify civilian series designations. For personnel assigned to MCCS functions, the employee series (e.g., 0560 Budget Analyst) will be used as the default CAC and the current established MCCS CACs for activities supported (e.g., SLA0 Fitness Program, SMK0 Equipment Rentals), will be cited in the Job Order Number/Local Use field in the default Financial Information Pointer (FIP).

6. Reporting

a. CMC (MRF) will provide annual guidance for capturing the APF data required for the OP-34 and PB-50 President's Budget exhibits and the annual Marine Corps Metric Report.

b. For OP-34 and Metric reporting, indirect support includes all APF installation operations support costs to MCCS programs and activities. Installation operations costs are

budgeted and executed to support installation-wide services, including MCCS. Costs include (but may not be limited to) military personnel support; civilian personnel services; facility and infrastructure support (including fire, police, health, safety); equipment operation; financial and accounting services; installation procurement and common warehouse; communications; installation information systems; legal services; transportation services; maintenance and repair services; minor construction; second destination transportation; utilities and real property rents; refuse collection; snow removal; custodial and janitorial services. Guidance on capturing and reporting indirect support costs will be included in the annual APF guidance for reporting the previous fiscal year's actual MCCS support costs.

7. APF Oversight. The MCCS BOD, through its MCCS BOC, performs an oversight function that tracks the installations' APF execution against the detailed plans. This consists of routine CMC (MR) briefs to the MCCS BOD/BOC that includes reports, by installation, of current APF execution compared to the annual MCCS APF Budget. As part of its oversight responsibilities, the MCCS BOD also requires a Metric Report of each installation.

# Chapter 9

## APF Procedures

1. Uniform Funding and Management (UFM) of MWR

a. General. The UFM practice allows funds appropriated to the DOD and available for MWR programs to be treated as NAF and expended in accordance with laws applicable to NAF funds. The UFM practice is designed to aid in the timely execution of APF in support of MWR programs. The UFM practice may not be used to circumvent existing APF regulations. The intent is to provide UFM funding as early in the APF fiscal year or quarter as possible. Once provided, the funds shall be considered NAF funds for all purposes and shall remain available until expended.

b. Memorandum of Agreement (MOA). A UFM MOA will be established between the installation commander, the comptroller, and the MCCS Director. The MOA will identify APFs that are intended to support MWR programs through the UFM practice. The MOA will include an enclosure that lists the MWR NAF billets that are eligible to be funded through the UFM practice. The MOA should include statements that APF support is subject to the availability of funding, and that the NAFI will maintain detailed accounting records of APF provided to the MWR program and the purposes for which the funds are used.

c. General Guidance. The following information highlights general guidance regarding the administration of the UFM practice. More specific guidance is contained in reference (x).

(1) Reference (y) states that, "When made available for morale, welfare, and recreation programs under such regulations [prescribed by the Secretary of Defense], appropriated funds shall be considered to be nonappropriated funds for all purposes and shall remain available until expended." Reference (e) authorizes the use of UFM for Program Group I (MWR) and Program Group II (Exchanges) if the program is authorized to receive APF support and only in the amounts the program is authorized to receive. Reference (x) also requires sufficient detail in the NAF accounting records to identify support for each activity [Physical Fitness and Aquatic Training, Child Development Programs, Youth Activities, etc.] broken down by cost expense captions [labor costs, supplies and equipment, contractual costs, travel of personnel, etc.]

(2) Reference (y) reiterates that the laws and regulations concerning the authorization, obligation and expenditure of APF must be followed. For the application of APF, this paragraph also references the Antideficiency Act, The Purpose Statue and the Bona Fide Need Rule. When the funds are considered to be NAF, paragraph 4 cites reference (z) as the regulations that govern the purpose for which NAF funds may be spent and the financial management of those funds. The paragraph 4 statement that, "The UFM practice requires that APF support be obligated prior to the NAF billing", means that the UFM Unearned Revenue Account should not have a debit balance. A debit balance would mean that the MCCS offset NAF expenses with NAF billings in excess of the APF support authorized within the MOA.

(3) APF-authorized NAF expenses will be identified in the NAF accounting system and may be funded after the MOA is signed, if additional funds become available. If additional APF funds become available, an amendment to the current MOA will be required. MWR expenses authorized APF should equal or exceed the UFM income.

(4) The NAFI will maintain detailed accounting records of APF provided to the MWR program and the purposes for which these funds are used.

(5) The MOA should incorporate an enclosure that identifies the NAF billets that are eligible to be funded via the UFM practice. The purpose of this enclosure is to identify the NAF billets, and the associated percentages of salaries and benefits eligible for funding via the UFM practice. An addendum to the MOA will be required when billets are added that will be funded in the current UFM MOA. Due to privacy considerations, the MOA should not identify salary or personal information specific to an employee.

(6) Approved and signed copies (hard copies or scanned electronic copies) of each installation's MOA must be forwarded, with the annual NAF budget, to CMC (MRF). Subsequent addendums to the MOA must also be forwarded to CMC (MRF). The annual CMC (MRF) budget guidance will contain information on forwarding of the MOAs and addendums.

(7) When entering UFM transactions into the APF accounting system, only the following UFM CACs should be used:

SHG0 UFM MWR (Family Readiness Support)
SJE0 UFM MWR (Children & Youth)
SKE0 UFM MWR (Libraries)
SLQ0 UFM MWR (Semper Fit)
SM17 UFM MWR (Business Operations)
SN11 UFM MWR (MCCS Executive Oversight and Direct Command Support)

Additionally, UFM transactions should be entered using Object Class (OC) 250 (Contracts and Other Services). No other CACs or OCs are authorized for use with the UFM practice. Both the CAC and the OC are data elements that can be found in every transaction's Financial Information Pointer (FIP).

(8) The MOA (and MOA addendums as necessary) can be used as the official accounting source document to substantiate commitments and obligations in the APF accounting system. The MOA can also serve as back-up documentation when submitting Disbursing Office Vouchers (DOV) to the DFAS, Marine Corps Vendor Pay Section for payment.

(9) The DOV (i.e., NAVCOMPT Form 1034, 2277, or 2035) can be used as the source document to substantiate an expense in the APF accounting system. After DFAS certification, the DOV will be used to substantiate a liquidation.

(10) The following NAF general ledger contra account codes have been created in the FMS to account for UFM APF support. These accounts are authorized in addition to those addressed in reference (x). Qualifying expenses will be paid through normal general ledger expense accounts, with an offset to the appropriate contra expense to zero out the effect on the balance sheet and profit and loss statement:

2610 UFM Unearned Revenue

Contra expense 6820 UFM Personnel Contra accounts
6101 Salaries and Wages
6102 - 6104 Services and Benefits
6139 - 6141 Services and Benefits
6203 - 6209 Services and Benefits

Contra expense 6821 UFM Utilities, Rents Contra accounts
6306 Utilities
6309 Trash Disposal

Contra expense 6822 UFM Sustainment, Restoration and Modernization Contra accounts
6405 Maintenance Contracts
6410 Repair and Maintenance

Contra expense 6823 UFM Facilities Expense Contra account
6409 Facilities Expense

Contra expense 6824 UFM Supplies and Equipment Contra accounts
6403 Renewals, Replacement and Minor Equipment
6709 Supplies

Contra expense 6825 UFM G&A Expense Contra accounts
6701 Conferences and Seminars
6703 Printing & Reproduction
6704 Protective Services
6706 Professional Memberships
6708 Audit/Inventory Services
6711 Publications and Subscriptions
6715 Entertainment
6716 Motion Picture
6717 Tournaments
6718 Study and Review
6719 Athletic OFC & Clinics
6720 Contracted Expense
6722 Child Care Food
6723 APF-Reimburse Maid Serv
6727 HQ-Sports & Recreation Program
6728 Employee Background Checks
6742 Advertising

Contra expense 6826 UFM Transportation of Personnel Contra accounts
6261 Employee Reimbursable Travel/Transportation
6263 Management Site Visit
6264 HQ - Field Training
6265 MCCS Training

Contra expense 6827 UFM Transportation of Things Contra accounts
6262 Vehicle Maintenance and Gas
6705 Freight

Contra expense 6828 UFM Communications Contra accounts
6303 Postage
6304 Telephone

Contra expense 6829 UFM Contractual Services Contra account
6404 Consulting Services

(11) Fixed assets purchased with NAF using the UFM practice are expensed in the FMS when offset with UFM funds. This allows the MCCS to match the NAF expenses with UFM funding. These fixed assets are treated as APF assets and carried on the NAF balance sheet with a zero purchase amount. For management control purposes, MCCS shall maintain the fixed assets on their fixed asset sub-records as APF items and continue with annual physical inventories of the APF funded assets. Any proceeds from the disposal of an APF asset must be returned to the Treasury. MWR cannot directly benefit from the disposal of fixed assets purchased through the UFM Practice.

(12) Monthly FMS entries to the MWR programs may be made using summary transactions. Contra account entries may be made for any month within the current APF fiscal year. Entries made to the contra accounts can be viewed by running the following two NAF FMS reports #HQUFM01 and #HQSCHUFM.

2. Drug Demand Reduction (DDR) Financial Reporting

a. General. The DDR Program provides funding for the prevention of illegal substance abuse (i.e., drugs and steroids, but not normally alcohol or tobacco use). The program is also aimed at increasing illegal substance abuse awareness for military personnel, family members, civilians and the surrounding military community. The outreach program works to mobilize and pool the illegal substance abuse prevention resources of the installation and surrounding community, and to facilitate a united front with the goal of creating a drug-free community. DDR funds are provided to the Marine Corps via OSD's Counter-narcotics Program and must not be diverted to other programs or activities.

b. Reporting Requirements. Each quarter, and at the end of every fiscal year, the CMC (MRF) must provide DDR Program financial and manpower data to higher headquarters in accordance with reference (aa).

c. DDR Financial and Manpower Data Verification.

(1) Financial Data:

(a) Upon the close of every quarter, CMC (MRF) will forward to Major Commands' MCCS Directors a spreadsheet displaying the total obligated funds, by installation, for DDR CACs SIM0, SIN0, SIO0, and SIP0 from the APF accounting system. This data will be further categorized by OC (i.e., 110 - Civilian Labor, 210 - Travel/Transportation of Personnel, 260 - Supplies and Material).

(b) Upon receipt of the spreadsheet, Major Commands' MCCS Directors should forward the report as necessary to validate the total obligations for each CAC and OC. If the data on the spreadsheet is inaccurate (i.e., transactions recorded with an incorrect CAC or OC or incorrect obligation amounts) the spreadsheet should be revised to reflect the correct data.

(c) If inaccuracies are due to transactions being incorrectly recorded in the APF accounting system, corrections should be made as soon as possible. Upon validation of the data, the Major Commands' MCCS Directors should forward the revised spreadsheet back to CMC (MRF) prior to the requested due date.

(2) Manpower Data:

(a) Prior to the beginning of each fiscal year, CMC (MRF) will request the Major Commands' MCCS Directors to validate annual work year data pertaining to each installation's authorized DDR Counselor (DDRC) billets. The work year data will be based on: billet(s) filled/not filled, grade, step, and benefits. For tracking and performance purposes, this data will be compared to actual civilian labor costs as the fiscal year progresses. NOTE: contract personnel are not considered allotted DDRC billets; thus, they are not included in manpower displays. An installation can have additional civilian DDR counselors but they can only be paid with DDR funds to the extent that the installation is authorized DDR billets by OSD.

(b) In conjunction with verifying the quarterly financial data previously discussed, manpower data must also be validated. The manpower data will be based on the number of DDRC billets an installation is allotted.

(c) Upon receipt of the manpower report, the Major Commands' MCCS Directors will be asked to provide the total number of DDRC billets filled at the end of a given quarter. For reporting purposes, a billet is also referred to as Full-Time Equivalent (FTE). For example: If an installation is allotted two billets (and both billets have been filled since the beginning of the fiscal year) and the data being requested is through the first quarter, the total billets reported will be 0.5 FTE (0.25 FTE for each filled billet per quarter). If the data requested were through the second quarter, the FTE would be 1.0 (0.5 FTE for each filled billet per quarter). Vacant DDRC billets during the course of a fiscal year would impact the resulting data. Each installation's data must be identified separately.

3. Year-End Financial Reporting

a. General. APF and NAF resources support MCCS programs. These resources will be planned, programmed, and budgeted to ensure that they are efficiently and effectively managed. The execution of these resources shall be regularly compared to budgets and prior year records to ensure maximum benefit. Consolidated APF and NAF financial reports shall be prepared annually for each Military Service (i.e., Metric Report) and will be submitted to the OSD in accordance with reference (e). In addition, the President's Budget exhibits include the Fund Support for Selected Quality of Life Activities (OP-34); and the Children and Youth Programs, Family Service Centers, and Family Advocacy Programs (PB-50). The Marine Corps programs and budgets for its APF by MCPC; whereas, OSD requires reporting from the Services in completely different activities and formats. As a result, the following procedures are necessary to comply with OSD and Congressional reporting requirements.

b. Year-End APF and Manpower Data Verification. The installation MCCS Director will be requested to validate all Year-end financial reports, spreadsheets and other documents.

(1) Direct-Funded Financial Data

(a) MRF will be provided a spreadsheet displaying the total obligated funds, by installation, for all MCCS activities regardless of appropriation. The data will be extracted from the APF accounting system and will be further categorized by OC (i.e., 110 Civilian Labor; 210 Travel/Transportation of Personnel; 260 Supplies and Materials).

(b) Upon receipt of the above spreadsheet, MCCS Directors should validate the total obligations for each CAC and OC. If the data on the spreadsheet are inaccurate (i.e., transactions recorded with an incorrect CAC or OC, or incorrect obligation amounts) the spreadsheet should be revised to reflect the correct data. Adjustments (i.e., changes to amounts, addition of CACs) to any cell on the worksheet provided with the annual APF budget guidance should be highlighted in light blue. If adjustments are due to transactions being incorrectly recorded in the accounting system, corrective action should be taken as necessary. After validating the data, the MCCS Director will be requested to forward the revised spreadsheet back to CMC (MRF) prior to due date(s), which are distributed annually.

(c) Due to reporting requirements by higher authority, all obligations recorded to the UFM CACs must be administratively distributed to the CACs within the respective MCCS program where the expenses took place. To determine where CAC obligations should be distributed to, refer to the various UFM expense accounts in the NAF FMS. The expense accounts in the NAF FMS can be mapped to specific CACs in the APF accounting system. After the obligation report has been adjusted, the UFM workbook will need to be completed with the same data. The obligation report and the UFM workbook must be worked in tandem. To check for errors, select an activity/CAC on the UFM workbook and ensure that the amount recorded on the UFM workbook is less than or equal to the total found on the obligation report for the same CAC recorded under OC 250 (Contracts and Other Services). It will not be unusual to find that the OC 250 obligation for a CAC, that had UFM costs distributed to it, will be higher than what is on the UFM workbook. This is the result of other OC 250 obligations that are not UFM related.

(2) Indirect-Funded Financial Data. Indirect Support funding are all expenses paid for from other installation operations funds that benefited an MCCS organization, but were not directly paid for (or obligated) by an MCCS activity. Indirect Support includes all appropriated fund Base Operations support costs to MCCS programs and activities. Base Operations costs are budgeted and executed by a non-MWR activity that supports installation-wide services. Costs include military personnel support; civilian personnel services; facility and infrastructure support (including fire, health, safety); equipment operation; financial and accounting services; installation procurement and common warehouse; installation

information systems; legal services; transportation services; second destination transportation; utilities and real property rents; refuse collection; custodial and janitorial services. Indirect Support funding takes two forms:

(a) Indirect Common Support. Indirect Common Support Costs include rents and utilities; communications; sustainment and restoration; minor construction (under 750K).

(b) Common Base Services. Services associated with health and safety. These services are typically supplied as a common function to all installation employees and activities. Some examples are fire protection, security (to include Military Police), safety, pest control, snow removal, and sewage. A complete listing of these services are contained in enclosure (3) of reference (e). Due to reporting requirements established by OSD, Common Base Services costs are rolled-up at the Category level vice individual MCCS activity level as are the Indirect Common Support costs. Common Base Services' expense elements have a broader range than do Indirect Common Support costs.

(3) Also, Category B Common Base Services costs must be split between Children, Youth and Teen program costs and non-Children, Youth and Teen program costs.

(a) Actual costs for many Indirect Common Support functions can be obtained and should be used when available. In the event that actual costs cannot be obtained, determine as accurately as possible what the MCCS share of the cost(s) would be and report them accordingly. Costs must be determined for activities in Categories A, B, C, and Marine Corps Exchanges.

(b) Actual costs for Common Base Services functions are rarely available. These costs are usually allocated using a formula based on square footage or manpower data. Annual guidance on determining Common Base Services costs will be provided by CMC (MRF).