



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

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LPC-1  
10 AUG 2017

MARINE CORPS ORDER 4000.59

From: Commandant of the Marine Corps  
To: Distribution List

Subj: MARINE CORPS POLICY ON DEPOT MAINTENANCE WORKLOAD DISTRIBUTION  
(50/50) REPORTING BETWEEN THE PUBLIC AND PRIVATE SECTOR

Ref: (a) 10 U.S.C. Chapter 146, Section 2466  
(b) 10 U.S.C. Chapter 146, Section 2460  
(c) 10 U.S.C. Chapter 146, Section 2474  
(d) DoD 7000.14-R Financial Management Regulation, Feb 2017  
(e) SECNAV M-5215.1  
(f) SECNAV M-5210.1  
(g) SECANVINST 5211.5E  
(h) U.S.C. 552a  
(i) SECNAV M-5214.1

Encl: (1) Example of OSD Reporting Guidance and Data Requirements for the  
50/50 Report to Congress on the Distribution of Defense  
Depot Maintenance Workloads  
(2) HQMC Depot Maintenance 50/50 Annual Reporting Process Chart  
(3) 50/50 Detailed Process Narrative  
(4) Acronyms List  
(5) Definitions List

Reports Required: I. DON and OSD Summary Reports (Report Control Symbol  
DN-4000-01), paragraph 4a(8), 4b(2) and 4c(3)  
II. Annual Cost of Production Reports (Report Control  
Symbol DN-4000-02), paragraphs 4a(9), 4b(3) and 4c(4)  
III. Quarterly 50/50 Transactional Report (Report Control  
Symbol EXEMPT), paragraphs 4b(1) and 4c(1)

1. Situation

a. Reference (a) states no more than 50 percent of funds made available to a military department for depot-level maintenance and repair workload may be used to contract for the performance by non-Federal Government personnel. Any funds not contracted out must be used for performance by employees of the Department of Defense (DoD). The reference also states that the DoD shall submit an annual report to Congress detailing the public-private distribution of depot maintenance and repair obligations.

b. Reference (b) provides the definition of depot-level maintenance and repair. It provides examples of depot-level maintenance and repair and identifies exceptions to the definition.

c. Reference (c) states the Secretaries of the Military Departments (MILDEP) and, in the case of Defense Agencies, the Secretary of Defense (SECDEF) will designate Centers of Industrial and Technical Excellence (CITE) for the execution of depot level maintenance and designation; public-private partnerships in the case of a Defense Agency.

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d. Reference (d), the Department of Defense Financial Management Regulation (DoD FMR), is issued under the authority of DoD Instruction 7000.14, DoD Financial Management Policy and Procedures. The DoD FMR directs statutory and regulatory financial management requirements, systems, and functions for all appropriated and non-appropriated, working capital, revolving, and trust fund activities.

e. Reference (e) provides policy and procedural guidance for issuance of Marine Corps Directives, Orders and Bulletins referred to collectively as "directives." Marine Corps sponsors of directives issued by the Secretary of the Navy shall refer to OPNAVINST 5215.7 for policy and procedural guidance.

2. Mission. Establish policy for executing the 50/50 reporting process and define organizational roles and responsibilities required in order to achieve an accurate, verifiable, and repeatable process in accordance with references (a) through (d).

3. Execution

a. Commander's Intent and Concept of Operations

(1) Commander's Intent. This MCO has been developed to enable the Marine Corps to meet its Title 10s financial obligation reporting requirement for depot maintenance between the public and private sector.

(2) Concept of Operations

(a) The Office of the Secretary of Defense (OSD) will compile the DoD report and submit to Congress 90 days after the President's Budget submission. Enclosure (1) is an example of the DoD data call issued by the Assistant Secretary of Defense for Logistics and Materiel Readiness to the Services to annually report its obligations made to the public and private sector for Depot Maintenance Workloads (50/50) in accordance with reference (a). OSD's data call typically provides guidance as well as designated reporting templates. The Deputy Assistant Secretary of Defense, Maintenance Policy and Programs (MPP) Office, is responsible for DoD's 50/50 Report.

(b) This Order provides policy for a standardized, repeatable process for identifying, retaining, and reporting of Marine Corps Distribution of Workload (50/50) obligations.

(c) The 50/50 process is a requirement initiated by OSD (MPP) to identify and report funds obligated for Depot Level Maintenance Workload annually.

(d) The Deputy Commandant Installations and Logistics (DC I&L) provides the overarching 50/50 reporting policy for the Marine Corps. Enclosures (2) and (3) provide specific procedural guidance to support the annual 50/50 reporting process.

(e) Marine Corps Logistics Command (MARCORLOGCOM) and Marine Corps Systems Command (MARCORSYSCOM) shall develop complementing orders and procedures to support this Order.

(f) The Marine Corps assembles 50/50 data quarterly for oversight and governance to ensure compliance with its reporting requirement. Though the information is retained at the Service level, MARCORLOGCOM and

MARCORSYSCOM reports the results of the quarterly 50/50 data to DC I&L. The 4th quarter cumulative report serves as the official requirement for the annual 50/50 reporting.

(g) OSD MPP requires each Department to audit and certify the data prior to submission of the annual Report. DC I&L will collaborate with the Office of the Chief of Naval Operations (OPNAV (N83)) and the Naval Audit Service (NAVAUDSVC) to conduct its annual inspection of the Marine Corps' reporting records. OPNAV N83 is the organization assigned to collaborate with Marine Corps and Navy organizations to support the 50/50 reporting process.

#### 4. Tasks

a. Deputy Commandant for Installations and Logistics (DC I&L) shall:

(1) Serve as the advocate for 50/50 reporting on all Marine Corps Ground Weapon Systems/Systems Support that require depot maintenance.

(2) Review MARCORLOGCOM's and MARCORSYSCOM's quarterly reports.

(3) Coordinate with OPNAV (N83) and OSD (MPP) for annual 50/50 data call and report.

(4) Coordinate and issue tasking to MARCORLOGCOM and MARCORSYSCOM.

(5) Director of Marine Corps Staff as the authority for Headquarters Marine Corps (HQMC) Audit Liaisons auditing. HQMC I&L, EGEM Office will coordinate with HQMC Audit Liaisons, NAVAUDSVC, and OPNAV (N83) in preparation for and execution of the annual audit.

(6) Consolidate MARCORLOGCOM and MARCORSYSCOM data into the specified reporting formats.

(7) Validate 50/50 report submissions.

(8) Create Department of the Navy (DON) and OSD Summary Reports and submit to OPNAV (N83) and OSD (MPP). Report Control Symbol DN-4000-01 is assigned to this reporting requirement.

(9) Consolidate and submit cost of production reports per OSD guidance. Report Control Symbol DN-4000-02 is assigned to this reporting requirement.

(10) Serve on cross organizational senior level forum to assist in providing strategic governance over 50/50 reporting process.

(11) Support the Planning, Programming, Budgeting and Execution and Operations and Maintenance (O&M) funding process to ensure alignment between O&M and depot maintenance budget requirements.

(12) Identify depot maintenance planning best business practices and performance measures to eliminate ineffective and inefficient processes and policies.

(13) Provide governance and guidance to ensure an effective Marine Corps 50/50 reporting process.

b. Commanding General, Marine Corps Logistics Command (COMMARCORLOGCOM)  
shall:

(1) Develop and submit the quarterly 50/50 transactional report to DC I&L. This report will include percentages identifying public and private distribution of workload. This reporting requirement is exempt from reports control according to reference (i), Part IV paragraph 7q.

(2) Develop and submit 50/50 DON Summary Report annually to DC I&L in the prescribed DON formats. Report Control Symbol DN-4000-01 is assigned to this reporting requirement.

(3) Develop and submit the Cost of Production Report annually. Report control Symbol DN-4000-02 is assigned to this reporting requirement.

(4) Monitor obligation percentages for Depot Maintenance and ensure compliance with reference (a).

(5) Establish and maintain internal controls in support of achieving accurate and verifiable information.

(6) Support NAVAUDSVC audits of 50/50 Reports. Maintain a copy of supporting documentation that equals the amounts being reported.

(7) Provide training to MARCORLOGCOM workforce.

(8) Ensure record retention of 50/50 reports and supporting funding documents for a minimum of 3 years.

c. Commander, Marine Corps Systems Command (COMMARCORSYSCOM) shall:

(1) Develop and submit the quarterly 50/50 transactional report to DC I&L. This reporting requirement is exempt from reports control according to reference (i), Part IV paragraph 7q.

(2) Coordinate with Program Executive Officer Land Systems (PEO-LS) for data collection and inclusion in MARCORSYSCOM's report.

(3) Develop and submit 50/50 DON Summary Report annually to DC I&L in the prescribed DON formats. Report Control Symbol DN-4000-01 is assigned to this reporting requirement.

(4) Develop and submit the Cost of Production Report annually. Report Control Symbol DN-4000-02 is assigned to this reporting requirement.

(5) Report obligation percentages for Depot Maintenance.

(6) Establish and maintain internal controls and desk top procedures.

(7) Support NAVAUDSVC audits of 50/50 Reports. Maintain a copy of supporting documentation that equals the amounts being reported.

(8) Provide training to MARCORSYSCOM and PEO-LS workforce.

(9) Ensure record retention of 50/50 reports and supporting funding documents for a minimum of 3 years.

5. Administration and Logistics

a. Key planning dates for submitting the annual 50/50 report are:

- (1) 15 December - Due to DC I&L (LPC) (previous year only)
- (2) 31 December - Due to OPNAV (N83) (previous year only)
- (3) January/February - Naval Audit Service Review
- (4) 15 February - Due to DC I&L (LPC) (complete report).
- (5) 15 March - Due to OPNAV (N83) (complete report).
- (6) 01 April - Due to OSD (full report)

b. Directives issued by the Commandant of the Marine Corps are published electronically and can be accessed online via the Marine Corps homepage at <http://www.marines.mil/Marines>. For Commands without access to the Internet, hard copy and Compact Disk Read Only Memory versions of Marine Corps directives can be obtained through the Marine Corps Publications Distribution System.

c. Records Management. Records created as a result of this Order shall be managed according to National Archives and Records Administration approved dispositions per reference (f) to ensure proper maintenance, use, accessibility and preservation, regardless of format or medium.

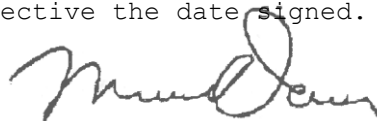
d. Privacy Act. Any misuse or unauthorized disclosure of Personally Identifiable Information (PII) may result in both civil and criminal penalties. The DON recognizes that the privacy of an individual is a personal and fundamental right that shall be respected and protected. The DON's need to collect, use, maintain, or disseminate PII about individuals for purposes of discharging its statutory responsibilities will be balanced against the individuals' right to be protected against unwarranted invasion of privacy. All collection, use, maintenance, or dissemination of PII will be in accordance with the Privacy Act of 1974, as amended (reference (a)) and implemented per reference (g).

e. Recommendations concerning the contents of this Order may be forwarded to DC, I&L, Logistics Policy and Capabilities (LPC) via the appropriate chain of command.

6. Command and Signal.

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

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



M. G. DANA  
Deputy Commandant for  
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Example of OSD Reporting Guidance and Data Requirements for the 50/50 Report  
to Congress on the Distribution of Department of Defense Depot Maintenance  
Workloads

1. Scope:

a. For purposes of this data call, depot maintenance workload refers to depot-level maintenance and repair of military materiel.

(1) Depot Maintenance is defined as any action taken on material or software leading to the overhaul, upgrading, or rebuilding of parts, assemblies, or subassemblies, and the testing and reclamation of equipment as necessary. This includes interim contractor support (ICS), contractor logistics support (CLS), or any similar contractor support for the performance of these services. Depot maintenance is an activity independent of location, or funding source.

(2) Applies to:

(a) Military materiel. I.e., all items (including ships, tracked vehicles, wheeled vehicles, communications-electronics equipment, self-propelled weapons, aircraft, etc., and related spares, repair parts, and support equipment, but excludes real property, installations, and utilities) necessary to equip, operate, maintain, and support military activities.

(b) Software that is resident in military materiel (e.g., weapon systems and their components, space control systems and their components, and their associated automated test equipment and test program sets). Software maintenance are those sustainment activities, typically occurring after initial operating capability (IOC) has been established, that are necessary to (1) correct errors in the software; (2) add incremental capability improvements (or delete unneeded features) through software changes; and (3) adapt software to retain compatibility with hardware or with other systems with which the software interfaces.

(c) All depot maintenance support requirements, regardless of the source or sponsor of the program. E.g., headquarters/materiel/systems commands, inventory control points, and program managers.

(d) All funding sources and all customers budgeted or managed by the Military Department or Defense Agency, e.g., O&M, Procurement, RDT&E, and DoD Working Capital Fund (WCF) activities. This includes both supplemental funds made available for current year execution as well as supplemental funds requested for the current and following year execution.

(e) All locations performing depot-level maintenance and repair. All maintenance and repair tasks designated or coded as depot-level that are performed in the field or any other non-depot locations are included. Depot-level maintenance, including software maintenance will be reported regardless of location or funding source.

(f) All factors of production, e.g., labor, material, parts, indirect, and overhead. All factors of production associated with an order or contract will be aggregated with that order or contract and be characterized as "performance by employees of the Department of Defense" or as "contracted for performance by non-Federal personnel." For example, purchased material supporting work performed by DoD employees is counted as

part of that order, while Government furnished material supporting work performed by contract employees is counted as part of the contract. Similarly, contract support for organic depot operations, which does not directly result in organic depot maintenance production (e.g., contract maintenance of depot maintenance plant equipment), is defined as a factor of production and would be counted as part of the order "performed by employees of the Department of Defense." In other words, the type of direct production personnel determines how all the factors of production will be classified.

(g) The installation costs of all modifications when the installation is considered a depot-level service (whether performed by Defense employees or by non-Federal personnel), consistent with past reporting practices.

(3) Does not include:

(a) Remanufacture wherein hulls, chassis, airframes, and other major assemblies are utilized in new production. However, disassembly, reclamation, preparation, recovery, restoration and other depot maintenance actions accomplished prior to induction of the article into the remanufacturing process shall be accounted for as depot maintenance and repair.

(b) Workloads waived. Under title 10 U.S.C. § 2466, Limitations on the Performance of Depot-level Maintenance of Materiel.

2. Compliance:

a. Percentage Limitation: Not more than 50 percent of the funds made available in a fiscal year (FY) to a Military Department or Defense Agency for depot-level maintenance and repair workload may be used to contract for the performance by non-Federal Government personnel of such workload for the Military Department or Defense Agency. Any such funds that are not used for such a contract shall be used for the performance of depot-level maintenance and repair workload by employees of the Department. The percentage limitation includes depot maintenance ICS; CLS, and similar contracts.

b. Percentage Limitation Breach Notification: If a DoD Component's spending projections for contracted depot-level maintenance and repair reflect data within two percent of the 50-percent limitation in a FY, a plan that identifies actions the MILDEP or defense agency will take to ensure continued compliance shall be submitted to the Office of the Assistant Secretary of Defense for Logistics and Materiel Readiness within 30 days of the date of their submission. This plan shall include identification of, or decision on candidate maintenance workload sourcing that could be made to remain within compliance with the 50-percent limitation.

c. The House Appropriations Committee has requested that the Secretary of Defense develop a standard set of data fields to guide the Services and defense agencies in their annual collection of data for the 50-50 report. To assist in this effort, each reporting Military Department and Defense Agency is requested to submit sample copies of each reporting format used by any reporting entity at any level within their organization for the collection of depot maintenance expenditure data and used in the reporting process.

3. General:

a. The data call response will report FY 2015 actual obligation data. The data call response will be based on projections for FYs 2017 and 2018 and will reflect workloads in the submission for the FY 2016 President's Budget (including any supplemental appropriations). Revisions to budgetary estimates may be made to better reflect known and anticipated changes in workloads, workforce, priorities, and performance execution rates in order to achieve more reasonable projections of depot requirements where historical data indicates that budget data is unrealistic.

b. Depot maintenance workload data will be reported specifically in two categories: "contracted for performance by non-Federal Government personnel" and "performed by employees of the Federal Government."

c. Reporting Military Department and Defense Agency headquarters organizations will retain records with detailed supporting data and information collected for each reporting period for a period of not less than three years.

d. All depot-level maintenance and repair work performed by employees of the Federal Government will be reported regardless of the location where the work is performed. This includes depot maintenance workload accomplished at non-WCF depot maintenance facilities and depot maintenance workload accomplished at facilities primarily devoted to other than depot-level maintenance purposes. This also includes contracts accomplished by non-Federal Government personnel assigned to work on government owned and operated installations and government owned contractor operated plants (e.g., Air Force Plant 42 and Navy ground support equipment GOCOs).

e. All maintenance and repair performed by DoD maintenance depot organizations, regardless of the level of work, is considered depot-level maintenance. Do not include ammunition and other non-maintenance depot operations accomplished at military depots or arsenal facilities. Do not include non-maintenance operations accomplished at Naval Warfare and Naval Ordnance Centers.

f. Depot-level software support will be included in the respective "contracted for performance by non-Federal Government personnel" and "performed by employees of the Federal Government" workload totals. The reporting Military Department or Defense Agency shall maintain records on the amount of depot-level software support included in each workload total.

g. Sales of articles and services by DoD maintenance depots to entities outside the DoD, when the work is accomplished by employees of the DoD, shall be reported as work "performed by employees of the Federal Government." All factors of production (e.g. labor, materials, parts, indirect, and overhead) associated with the sale shall be reported accordingly.

h. Submitters shall identify as a separate entry, all workloads waived under the provisions of title 10 U.S.C. § 2466, Limitations on the Performance of Depot-Level Maintenance of Materiel.

4. Depot Maintenance and Sustainment Contracts:

a. Interim Contractor Support (ICS). ICS is designed to be an interim support arrangement as part of the acquisition strategy for new systems. As



a matter of policy, the portion of ICS, which occurs prior to IOC, shall not be counted as depot maintenance, since it is associated with RDT&E and the initial production effort that typically occur concurrent with final system development. If a program does not have an officially scheduled IOC, the associated weapon system is considered "fielded" at the time when, as part of combined or individual operation, it provides a warfighting capability. ICS, which occurs after IOC, or fielding, shall be separated to identify that portion of off-equipment maintenance which occurs in support of operational systems. That off-equipment portion accomplished in support of operational systems shall be counted as a part of contract depot maintenance. If the ICS contract includes "heavy" or depot-equivalent maintenance tasks for the weapon systems themselves, that portion shall also be counted as contract depot maintenance.

b. Contractor Logistics Support (CLS). CLS is designed to be a lifetime support concept, often for commercial or commercial-derivative systems that have at least a portion of their logistics support provided by commercial standard processes. The off-equipment maintenance portion of CLS for operational systems shall be counted as a part of contract depot maintenance. In addition, "heavy" or depot-equivalent maintenance tasks for the system itself shall also be counted as contract depot maintenance.

c. To the extent that the detailed data is readily available, it is desirable that depot-level maintenance and repair-related ICS and CLS funding be reported as called for specifically in existing/planned contracts. If it is not practical to determine the amount to be reported based on specific contract line items or other direct means, MILDEP and Defense Agencies should establish algorithms or estimation formulas for determining the portion of ICS, CLS, or any similar support contracts that is for the performance of depot maintenance and repair services. In those cases where other than actual data is reported, the reporting Military Department or Defense Agency shall maintain supporting records that describe and explain any algorithms or estimation formulas used.

d. To the extent feasible, ICS and CLS contract depot maintenance costs should exclude shipping, handling, management, engineering, storage or issue expenses, and should not include on-equipment tasks performed on the system in an operational setting. Contracts that do not breakout on and off-equipment tasks should include the full expense in the contract depot maintenance computation unless there is a specific rationale for making a pro-ration. When MILDEP employ pro-rata assumptions, they must capture the rationale for further reference. ICS and CLS include software depot maintenance support to the extent that it is consistent with the software maintenance definition specified above.

e. ICS, CLS, and other similar contractor support (e.g., flexible sustainment, total system performance responsibility, performance based support, direct vendor delivery support), to the extent that such support is for performance of depot maintenance services, will be reported in the "contracted for performance by non-Federal Government personnel" workload total. The reporting Military Department or Defense Agency shall maintain records on the amount of ICS, CLS, and other similar contractor support included in the workload total.

f. Contracts for depot maintenance and repair and/or depot-level software support accomplished by non-Federal Government personnel assigned to work on government owned and operated installations shall be accounted for as

"contracted for performance by non-Federal Government personnel" workload. Any contractor direct labor augmentation of organic production will be reported as contract only to the extent of actual contract costs. The reporting Military Department or Defense Agency shall maintain records on the amount of workload accomplished by non-Federal Government personnel assigned to work on government owned and operated installations.

g. Warranties for depot maintenance and repair shall be accounted for as "contracted for performance by non-Federal Government personnel" workload, to the extent that the terms and conditions of a warranty specify the performance of depot maintenance and repair services.

h. Warranty support, which occurs prior to initial operating capability, shall not be counted as depot maintenance and repair. Warranty support that is contracted for prior to initial operating capability, but occurs after initial operating capability shall be counted as depot maintenance and repair.

(1) The total warranty cost for depot maintenance and repair services is to be reported as an expense in the year in which the obligation takes place. If the cost of the warranty cannot be established based on contract line items or other direct means, MILDEP and Defense Agencies may establish algorithms or estimation formulas for determining the cost of the warranty that represents the value of depot maintenance and repair services.

(2) The reporting Military Department or Defense Agency shall maintain the detailed supporting records of the algorithms or estimation formulas used.

g. Public-Private Partnership. A public-private partnership for depot maintenance is an arrangement between an organic depot maintenance activity and one or more private industry or other entities to perform work or utilize facilities and equipment. Program offices, inventory control points, and materiel/systems/logistics commands may also be parties to such agreements or be designated to act on behalf of organic depot maintenance activities. In general, depot maintenance public-private partnering arrangements include (but are not restricted to) one or more of the following forms:

(1) Use of public sector facilities, equipment, and employees to perform work or produce goods for the private sector under certain defined circumstances (direct sale);

(2) Private sector use of public sector equipment and facilities to perform work for the public sector; and

(3) Work-sharing arrangements, which use both public and private sector facilities and/or employees to execute the requiring activity's workload.

(4) All depot-level maintenance and repair work accomplished under work-sharing arrangements by employees of the Department of Defense shall be reported as work "performed by employees of the Department of Defense." All factors of production (e.g. labor, materials, parts, indirect, and overhead) associated with the arrangement shall be reported accordingly.

5. Centers of Industrial and Technical Excellence (CITE) Partnership Exclusions:

a. Per title 10 USC, Section 2474, Exclusion of Certain Expenditures From Percentage Limitation, the funds expended for depot maintenance and repair performed by non-Federal Government personnel under CITE partnering is excluded from the percentage calculation limitation in section 2466(a) of this title if the personnel are provided by private industry or other entities outside the DoD pursuant to a public-private partnership. Accordingly, the category "contracted for performance by non-Federal Government personnel" will be further defined into two sub-categories, "workload contracted for performance by non-Federal Government personnel other than CITE partnering" and "workload contracted for performance by non-Federal Government personnel under CITE partnering."

b. For workload to qualify for the category "workload contracted for performance by Non-Federal Government personnel exempt from 50 percent limit as CITE partnering," it must meet the following conditions:

(1) The depot maintenance activity on which the workload is performed must have been designated a CITE in accordance with title 10 U.S.C. § 2474(a) (1) .

(2) The workload must be pursuant to a public-private partnership for depot maintenance. This includes partnerships under authority of title 10 U.S.C. § 2474 or other qualifying authorities (e.g., title 10 U.S.C. § 2208(j) and title 10 U.S.C. § 2563).

(3) The workload must be performed by private industry or other entities outside the Department at a CITE.

c. All contracts for depot maintenance accomplished by non-Federal Government personnel assigned to work on government owned and operated installations designated as CITEs do not automatically qualify as partnerships. For title 10 U.S.C. § 2466(d) reporting purposes, to qualify as partnering the contractor must be substantially responsible for the performance of the production deliverable, be it a weapon system, subsystem, item of equipment, or industrial process. Contractor direct labor augmentation is not a partnership. When a contractor substantially provides only a workforce and the Government provides facilities and controls the production process, that relationship does not qualify. In that case, the Government is contracting for labor and is not engaging in a partnering arrangement.

d. All factors of production (e.g., labor, materials, parts, indirect, and overhead) associated with the order or contract for work performed by private industry or other entities outside the Department at the CITE pursuant to a qualifying partnering agreement will be aggregated as "workload contracted for performance by Non-Federal Government personnel exempt from 50 percent limit as CITE partnering."

e. All CITE partnering exclusions for contract expenditures provided for under title 10 U.S.C. § 2474(f) shall be itemized and must be reported by CITE with a summary level description (with information such as weapon system and work breakdown structure or commodity) and the dollar amount. Reporting is not limited by when the Government entered in to the contractual agreement; the exclusion is to be considered permanent. Each expenditure that

is excluded shall be itemized.

f. A CITE Exclusion Decision Matrix is included to assist the Military Services in determining qualified exclusions under title 10 U.S.C. § 2474(a)(1).

6. Service and Defense Agency Reporting Responsibilities

a. Accounting and Reporting. MILDEP and Defense Agencies shall establish measures to ensure correct accounting of all depot maintenance workloads.

(1) These measures shall ensure that reporting is from the Principal's perspective (i.e., the component which manages the funding for, or owns the equipment that is being repaired or maintained) and that there is no duplicate reporting.

(2) MILDEP and Defense Agencies shall issue guidance, as necessary, to ensure:

(a) Proper reporting of depot maintenance obligations for the instances where the performance of depot work and non-depot work are co-located or consolidated and accomplished by depot and non-depot organizations.

(b) Estimates for future year workloads accurately reflect, to the extent practical, the projected depot maintenance and repair costs and public-private sector allocations for new and upgraded systems.

(3) MILDEP and Defense Agencies shall establish and document internal operating procedures for collecting data and reporting public and private sector depot-level workload distribution. The procedures should clearly identify the specific commands and activities responsible for submitting data and describe the records and systems from which documentation will be pulled and the minimum documentation to be retained for follow-up. Procedures should also require monitoring of the implementation, and facilitate timely and accurate collection of data. MILDEP and Defense Agencies shall maintain the detailed supporting data used to develop the submission.

(4) MILDEP and Defense Agencies shall issue guidance, as necessary, to ensure accurate accounting, tracking and proper reporting for expenditures under public-private partnership contracts where depot-level maintenance and repair is performed by government personnel in government facilities with supply support being provided by the contractor.

(5) MILDEP and Defense Agencies shall take measures, including training programs, to ensure reporting requirements are adequately communicated to all organizational levels responsible for providing workload reporting data.

(6) MILDEP and Defense Agencies shall retain all records and reports created for this FY 2015 data call for three years from the suspense date in this submission.

(7) Variance Analysis. A variance analysis shall be conducted at each reporting activity level to preclude report omissions, data transcript errors, and correct over reported data prior to submission to OSD.

(8) Internal Audit Reviews for Validation of Data Collection Process. MILDEP and Defense Agencies shall obtain the assistance of internal audit agencies to conduct detailed reviews in order to validate the process for capturing and ensure the accuracy of depot maintenance expenditure data by reporting organizations and ensure compliance with these instructions. The internal audit requirement is intended to ensure that the data submitted for inclusion in the annual report is accurate and complete.

(a) Internal audit reviews specifically must ensure that

1. All sources of funding for depot level maintenance are collected and reported for all applicable situations, to include Inter-Service support, Contract Depot Maintenance, CLS, ICS, Direct Sales and Workshare Partnership Agreements, and installation of modifications

2. All supporting documentation for algorithms or estimation formulas used to determine the depot maintenance and repair services portion of ICS, CLS, or any similar support contracts, is accomplished and available.

3. All depot maintenance obligations are properly reported when depot work and non-depot work are co-located or consolidated and accomplished by depot and non-depot organizations.

4. All CITE public-private partnership exclusions are reported as required.

(b) Internal audit reviews should be managed to ensure periodic and systematic coverage of all reporting sub-organizations within a Military Department or Defense Agency.

(c) When internal audit agency support is not available, MILDEP and Agencies may use third-party organizations to conduct internal audit reviews. The general approach, policy and procedures for third-party reviews must be reviewed and approved in advance by the Office of the Deputy Assistant Secretary of Defense for MPP.

1. Component audit agencies or third parties should complete their review and validation prior to submission of MILDEP or Defense Agency data to OSD.

2. Documentation of audit agency or third party validation will be retained by MILDEP or Defense Agencies headquarters organizations for no less than three years.

3. If a MILDEP or agency is unable to comply with this requirement, notification must be made to the Assistant Secretary of Defense for Logistics and Materiel Readiness no later than 30 days after receipt of this reporting guidance.

4. Each reporting MILDEP or Defense Agency must include with their data submission a detailed narrative description of the efforts made to comply with the internal audit and data validation requirement. Narrative descriptions of internal audit policies, processes and procedures must address the scope, coverage plan, follow-ups, adjudication, and any other pertinent information.

7. Reporting Conventions:

a. Data should be submitted in the format provided on page 12 of these instructions.

b. Data will be collected by MILDEP for each of the armed forces (Army, Navy, Air Force, and Marine Corps) and Defense Agencies. For the report to Congress, the Navy and Marine Corps submissions will be reported both separately and combined, since the 50-percent limitation is by Military Department and Defense Agency.

c. Some defense activities are neither a MILDEP nor a title 10 U.S.C. § 101(a)(11) "Defense Agency" (e.g., U.S. Special Operations Command (USSOCOM)). These defense activities are required to complete the data call. They are not, however, subject to the 50-percent limitation. Their data will be included in the report as a footnote entry.

d. "Funds made available" will be depot maintenance and repair obligations (or for future years, projected obligations) expressed in then-year dollars.

e. For multi-year appropriations (e.g., Procurement), report the portion actually obligated (FY 2016) or projected to be obligated (FY 2017 and 2018) for the respective year in the report.

f. Amounts will be reported in millions (\$M) and will be rounded to the first decimal place (e.g., \$6,837.1).

g. Special access program requirements for depot maintenance and repair should be included in totals reported.

h. Reporting will be made to OSD by the respective Military Department or Defense Agency from the Principal's perspective (i.e., **the component which manages the funding for, or owns the equipment that is being repaired or maintained**).

(1) For USTRANSCOM depot maintenance and repair, the following convention will be utilized: (1) Air Mobility Command will be reported by the Air Force, (2) Military Sealift Command will be reported by the Navy, and (3) Surface Deployment and Distribution Command will be reported by the Army.

(2) Depot maintenance and repair for Reserve and National Guard Components will be reported by their respective Military Department.

(3) MILDEP will report depot maintenance and repair of USSOCOM requirements when the Service is responsible for support with funds appropriated to the Military Department. USSOCOM depot maintenance and repair that is funded by Defense-wide appropriations to USSOCOM will be reported separately by USSOCOM.

(4) Defense Agencies with program management and resourcing responsibilities for equipment and weapon systems operated by the armed forces will report depot maintenance obligations for each program listed by the respective Military Department.

(5) MILDEP will report depot maintenance and repair for National Foreign Intelligence Program depot maintenance requirements when the Service

is responsible for management of funds. The appropriate Defense Agency will report depot maintenance and repair for requirements that are directly managed.

(6) MILDEP will report depot maintenance and repair for Defense Security Cooperation when the Service has been appropriated the funds for support. The Defense Security Cooperation Agency will report depot maintenance and repair for requirements when it has been appropriated the funds for support. Depot maintenance and repair funded through Foreign Military Sales or with funds from "Country Trust Fund Accounts" will not be reported.

(7) Defense Agency depot maintenance and repair funded by appropriations or working capital fund obligation authority to that Defense Agency will be separately reported by the Defense Agency.

(8) For Inter-Service workloads, the Military Department that provides the funds for the depot-level maintenance workload and is supported by another Service's depot maintenance activity is the Principal and will capture and report depot maintenance and repair data.

(9) For depot-level repairable (DLRs), the Principal is the defense activity initiating or directing the repair requirement. In particular, for DLRs managed under Non-consumable Item Management Support Code (NIMSC) 5 procedures, the Principal will be the Primary Inventory Control Activity (PICA) Military Department. As a result:

(10) A NIMSC 5 return of an unserviceable DLR from one defense activity to another Military Department's PICA is not counted, since the transaction is supply-to-supply and the demand may be satisfied by new procurement or may not generate a repair action.

8. When (and if) the PICA does induct the DLR for repair, the PICA Military Department will be the reporting activity.

9. Reporting Format to be Used by DoD Components and Defense Agencies:

10. Distribution of [Name of DoD Component/Defense Agency] Depot Maintenance Workloads

Annual Workload Obligations (\$Millions)	FY 2015 (Actual)	FY 2016 (Projected)	FY 2017 (Projected)
<b>Line 1:</b> Total Workload (Principal)	\$XXX.X	\$XXX.X	\$XXX.X
<b>Line 2:</b> Total Workload Performed by Employees of the Federal Government	\$XXX.X	\$XXX.X	\$XXX.X
<b>Line 3:</b> Total Workload Contracted for Performance by Non-Federal Government Personnel (includes CITE and Waivered Workloads)	\$XXX.X	\$XXX.X	\$XXX.X
<b>Line 3a:</b> Workload Contracted for Performance by Non-Federal Government Personnel other than CITE Partnerships and Waivered Workloads	\$XXX.X	\$XXX.X	\$XXX.X
<b>Line 3b:</b> Total Workload Contracted for Performance by Non-Federal Government Personnel (Excluded From Percentage Calculation as CITE Partnering)	\$XXX.X	\$XXX.X	\$XXX.X
<b>Lines 3b1....n: CITE Partnership Details.</b> Report actual excluded expenditures for FY2015 only. List workloads contracted for performance by non-federal government personnel to be excluded from the percentage calculation as CITE partnerships with summary-level description to include CITE, weapons system or equipment item, type work, or work breakdown structure (WBS) (use a separate line for each CITE partnership)			
<b>CITE Partnership Title</b>	<b>Summary-Level Description</b>		<b>Amount Excluded in FY 2015 (\$M)</b>
<b>3b1</b>			\$XXX.X
<b>3b2</b>			\$XXX.X
<b>3b3</b>			\$XXX.X
<b>Sum of CITE Exclusions</b> (must equal line 3b for FY 2014)			\$XXX.X
<b>Line 3c: Total Waivered Workloads.</b> Workloads waived under Title10, U.S. Code Sec. 2466, <i>Limitations on the performance of depot-level maintenance of materiel</i>	<b>FY 2015 (Actual)</b>	<b>FY 2016 (Projected)</b>	<b>FY 2017 (Projected)</b>
	\$XXX.X	\$XXX.X	\$XXX.X
<b>Line 3c1...n: System/Nature of Expenditure</b> List of Waivered Workloads to include a summary-level descriptions to include weapons system or equipment item, type of depot maintenance or commodity group / work breakdown structure (WBS) (use a separate line for each waived workload)			
<b>Waivered Workload Title</b>	<b>Summary-Level Description</b>		<b>Amount Waivered in FY 2015 (\$M)</b>
<b>3c1</b>			\$XXX.X
<b>3c2</b>			\$XXX.X
<b>Sum of Waivered Workloads</b> (must equal line 3c for FY 2015)			\$XXX.X
<b>Line 4: Audit Narrative.</b> Description of the reporting Military Departments or Defense Agencies efforts to comply with the internal audit and data validation requirement under the DoD reporting guidance and data requirements. Narrative descriptions should address internal audit policies, processes and procedures including the scope, coverage plan, follow-up requirements, issue adjudication, and any other pertinent information.			

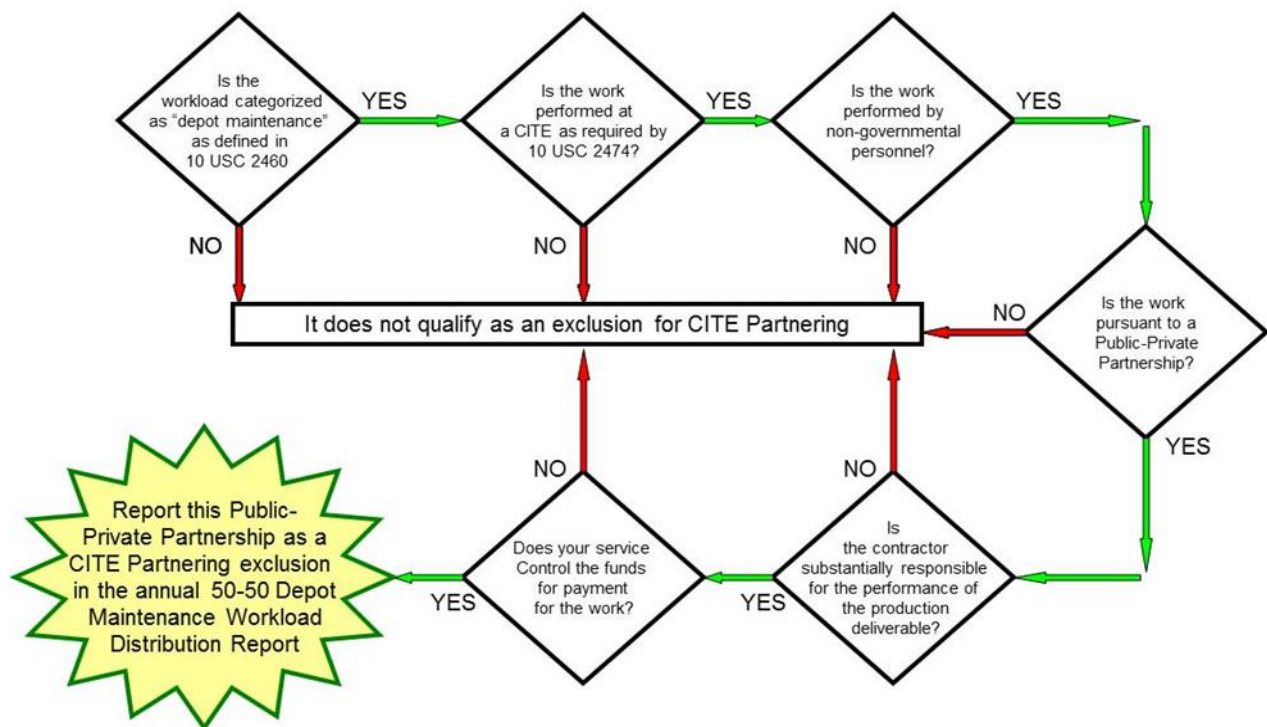


Notes:

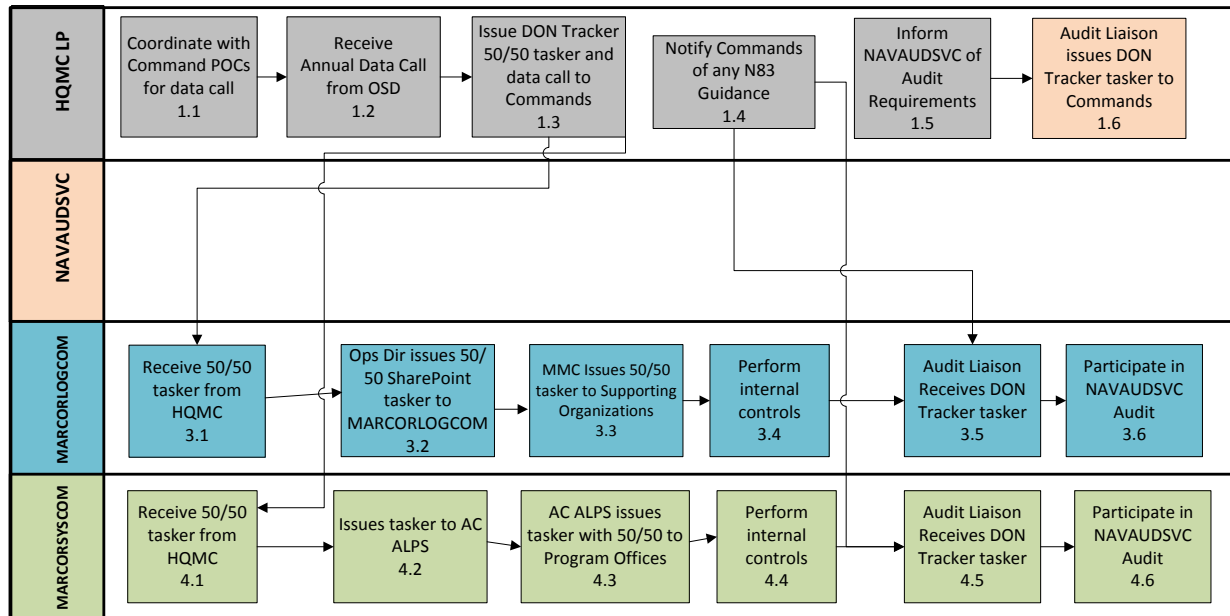
1. Report amounts in millions (\$M) rounding to the first decimal place (e.g., \$6,837.1).
2. Line 2 plus Line 3 will equal Line 1.
3. Line 3a plus 3b and 3c will equal Line 3.
4. Line 3b1 thru 3bn must sum to the value in block 3b.
5. Lines 3c1 through 3cn must sum to equal value in block 3c for the applicable FY.
6. The percentage calculation formula for determining compliance with Title 10, U.S.C., Section 2466:  $\% = \text{Line 3a} / \text{Line 1}$ .

**CITE Public-Private Partnership Exclusion Decision Matrix**

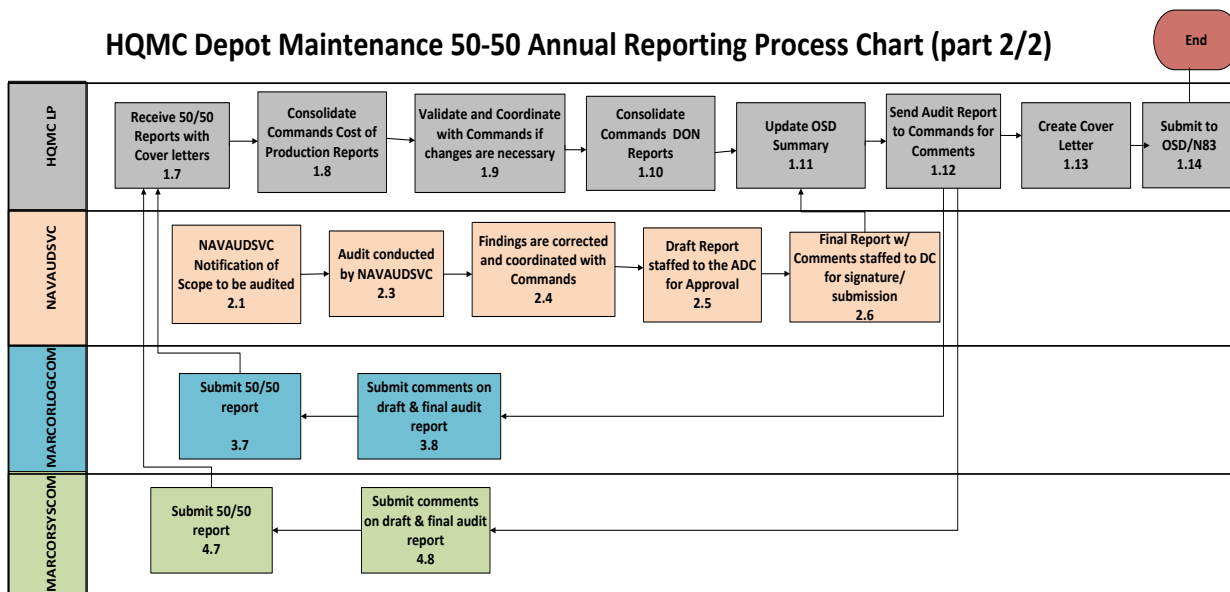
Purpose: To determine if a CITE Public-Private Partnership meets the exclusion criteria for 50-50 reporting.



### HQMC Depot Maintenance 50-50 Annual Reporting Process Chart (part 1/2)



### HQMC Depot Maintenance 50-50 Annual Reporting Process Chart (part 2/2)



50/50 Detailed Process Narrative

1. Detailed Process Steps. All steps are listed in sequential order. The instructions described in the process are from the perspective of each "swim lane" or organizational level depicted in the flow diagram in enclosure (2). The Sequence number in the table below is tied to the task number in the Process Chart. The Marine Corps recognizes that Navy organizations are not held accountable to Marine Corps Orders; however, those organizations have been included due to the integral role in the Marine Corps 50/50 process.

<u>Organization</u>	<u>Seq. #</u>	<u>Action</u>
HQMC	1.1	<b><u>Coordinate with Command POCs for data call</u></b> Coordinate with LOGCOM, SYSCOM POCs for 50/50 data call.
HQMC	1.2	<b><u>Receive Annual Data Call from OSD</u></b> Receive annual data call from OSD (MPP) via email. Review and determine requirements.
HQMC	1.3	<b><u>Issue tasker and data call to Commands</u></b> Issue tasker to Commands (LOGCOM, SYSCOM) with instructions to report 50/50 obligations in accordance with (IAW) Title 10 and OSD guidance.
HQMC	1.4	<b><u>Notify Commands of any OPNAV (N83) Guidance</u></b> DON guidance is normally signed and passed approximately 45 days after HQMC issues Department of the Navy Tracker (DON) Tracker to comply with OSD (MPP) data call. DON may require additional information for internal Department use. The OPNAV (N83) data call is passed to the Commands via email from HQMC.
HQMC	1.5	<b><u>Inform NAVAUDSVC of Audit Requirements</u></b> HQMC/OPNAV (N83) will decide which activities will be audited and inform NAVAUDSVC.
HQMC	1.6	<b><u>Audit Liaison issues DON Tracker to Commands</u></b> HQMC Audit Liaison notifies the Commands of suspense date, audit scope and initiates coordination between NAVAUDSVC and Command POC.
HQMC	1.7	<b><u>Receive 50/50 Reports with Cover letters</u></b> LOGCOM and SYSCOM will provide public and private sector obligations (ie; 50/50) for the year of execution and two out years (Navy may require additional out years). Cover letters will be signed by their Commands' GO/SES.
HQMC	1.8	<b><u>Consolidate LOGCOM SYSCOM Cost of Production Reports</u></b> HQMC consolidates all Commands (HQMC, LOGCOM, SYSCOM) cost of production reports into a total Marine Corps Cost of production.

HQMC	1.9	<b><u>Validate and Coordinate with Commands if changes are necessary</u></b> HQMC validates 50/50 reports submitted by the Commands and coordinates with POCs to resolve discrepancies.
HQMC	1.10	<b><u>Consolidate LOGCOM SYSCOM DON Reports</u></b> HQMC consolidates Commands' DON reports into one final report.
HQMC	1.11	<b><u>Update OSD Summary</u></b> HQMC develops the OSD Summary using the DON summary.
HQMC	1.12	<b><u>Send Audit Report to Commands for Comments</u></b> Send NAVAUSVC Audit report to Commands for comments and send to OPNAV (N83) with recommended updates. If updates occurred due to audit, Commands will update reports and resubmit accordingly.
HQMC	1.13	<b><u>Create Cover Letter</u></b> Create 50/50 reports with cover letter and submit to DC I&L for signature.
HQMC	1.14	<b><u>Submit to OSD/OPNAV</u></b> Submit final reports and signed cover letter to OSD_MPP and OPNAV (N83).
NAVAUSVC	2.1	<b><u>NAVAUSVC Notification of Audit Scope to be audited</u></b> NAVAUSVC notifies HQMC of audit period of submission, and the date that is to be audited and request Command POCs.
NAVAUSVC	2.3	<b><u>Audit conducted by Naval Audit Service (NAVAUSVC)</u></b> Audit is conducted between NAVAUSVC and Command. Command POCs participate in audit, brief processes, and provide 50/50 reports. NAVAUSVC responds with sample data to be audited.
NAVAUSVC	2.4	<b><u>Findings are corrected and coordinated with Commands and NAVAUSVC</u></b> Any findings as a result of the audit are reported by NAVAUSVC and corrected by the Commands. 50/50 reports are resubmitted to HQMC, as applicable.
NAVAUSVC	2.5	<b><u>NAVAUSVC Draft Report staffed to the ADC for Approval</u></b> NAVAUSVC develops draft audit report and HQMC provides a copy to the Commands for comment. Comments are adjudicated and staffed to the ADC I&L for approval.
NAVAUSVC	2.6	<b><u>Final Report w/Comments staffed to DC for signature/submission</u></b> Final report and comments are signed by DC I&L and submitted to NAVAUSVC.

LOGCOM	3.1	<b><u>Receive 50/50 tasker from HQMC</u></b> Receive 50/50 DON Tracker for data call from HQMC for 50/50 reporting.
LOGCOM	3.2	<b><u>Issue 50/50 SharePoint tasker to internal LOGCOM organizations.</u></b> The Operations Directorate issues a SharePoint tasker to LOGCOM, Maintenance Management Center (MMC) (process owner).
LOGCOM	3.3	<b><u>MMC issues 50/50 tasker to Supporting Organizations</u></b> MMC issues internal 50/50 tasker to supporting organizations to provide guidance on the collection of 50/50 reporting and audit procedures.
LOGCOM	3.4	<b><u>Perform internal controls for 50/50 tasker submission</u></b> MMC implements internal controls and performs analysis and pre-audits in preparation of the NAVAUDSVC 50/50 audit and submission of the 50/50 report.
LOGCOM	3.5	<b><u>Audit Liaison receives DON TRACKER tasker</u></b> Audit Liaison (LOGCOM, Programs and Resources (P&R)) receives notification from NAVAUDSVC of intent to audit.
LOGCOM	3.6	<b><u>Participate in NAVAUDSVC 50/50 Audit</u></b> NAVAUDSVC requests 50/50 report and provides MMC with sampling of data. MMC coordinates with organizational SME's to gather necessary supporting documentation and sends to NAVAUDSVC audit team.
LOGCOM	3.7	<b><u>Submit 50/50 Report to HQMC</u></b> Upon completion of 50/50 audit, MMC prepares 50/50 report and cover letter, and staffs the Report for submission to HQMC.
LOGCOM	3.8	<b><u>Submit comments on draft &amp; final audit report</u></b> MMC reviews NAVAUDSVC 50/50 audit report and submits comments to HQMC, as applicable.
MCSC	4.1	<b><u>Receive 50/50 tasker from HQMC for 50/50 reporting</u></b> Receive 50/50 tasker from HQMC for 50/50 reporting.
MCSC	4.2	<b><u>MCSC issues 50/50 SharePoint tasker to AC ALPS</u></b> MCSC Ops Cell issues an MCSC SharePoint tasker to MCSC Assistant Commander, Acquisition Logistics & Production Support (AC ALPS).

MCSC	4.3	<p><b><u>AC ALPS issues tasker with 50/50 to Program Offices &amp; PEO-LS</u></b></p> <p>AC ALPS issues 50/50 internal tasker to PMO's and PEO LS to provide guidance on the collection of 50/50 reporting and audit.</p>
MCSC	4.4	<p><b><u>Perform internal controls for 50/50 tasker submission</u></b></p> <p>AC ALPS implements internal controls, provides guidance and performs pre-audits prior to 50/50 audit by the NAVAUDSVC.</p>
MCSC	4.5	<p><b><u>Audit Liaison receives DON TRACKER</u></b></p> <p>Audit Liaison receives notification from NAVAUDSVC of intent to audit.</p>
MCSC	4.6	<p><b><u>Participate in NAVAUDSVC 50/50 Audit</u></b></p> <p>NAVAUDSVC requests 50/50 report and provides AC ALPS with sampling of data. AC ALPS coordinates with PMO's/PEO-LS to gather necessary supporting documentation and send to NAVAUDSVC audit team.</p>
MCSC	4.7	<p><b><u>Submit 50/50 Report to HQMC</u></b></p> <p>Upon completion of 50/50 audit, MCSC prepares 50/50 report and cover letter, and staffs the Report for submission to HQMC.</p>
MCSC	4.8	<p><b><u>Submit comments on draft &amp; final audit report</u></b></p> <p>MCSC reviews NAVAUDSVC audit report and submits comments to HQMC, as applicable.</p>

Acronym List

<u>Acronym</u>	<u>Definition</u>
CITE	Centers of Industrial and Technical Excellence
CLS	Contractor Logistics Support
DC I&L	Deputy Commandant Installations and Logistics
DLR	Depot-Level Repairable
DoD	Department of Defense
DON	Department of the Navy
DON Tracker	Department of the Navy Tracker
FMR	Financial Management Regulation
FY	Fiscal Year
HQMC	Headquarters Marine Corps
ICS	Interim Contractor Support
I&L	Installation and Logistics
IOC	Initial Operating Capability
MARCORLOGCOM	Marine Corps Logistics Command
MARCORSYSCOM	Marine Corps Systems Command
MILDEP	Military Department
MPP	Maintenance Policy and Programs
NAVAUDSVC	Naval Audit Service
NIMSC	Non-consumable Item Management Support Code
O&M	Operations and Maintenance
OPNAV	Office of the Chief of Naval Operations
OSD	Office of the Secretary of Defense
PEO-LS	Program Executive Office Land Systems
PICA	Primary Inventory Control Activity
USSOCOM	U.S. Special Operations Command
WCF	Working Capital Fund

Definitions List

<u>Word/Phrase</u>	<u>Definition</u>
Depot Maintenance	Material maintenance or repair requiring the overhaul, upgrading, or rebuilding of parts, assemblies, or subassemblies, and the testing and reclamation of equipment as necessary, regardless of the source of funds for the maintenance or repair or the location at which the maintenance or repair is performed.
Depot Software Maintenance	All aspects of software maintenance classified by the Department of Defense as of July 1, 1995, as depot- level maintenance and repair. Maintenance for software always involves a change in the software. This may be affected at the coding level, or may require significant changes in design. Regression testing of the software follows maintenance as part of a reverification and revalidation activity. Software maintenance is a prodigious source of new software faults, so good quality control through software engineering is essential.
Obligations	Amounts of orders placed, contracts awarded, services rendered, or other commitments made by federal agencies during a given period that will require outlays during the same or some future period.
President's Budget	The budget for a particular fiscal year sent to Congress by the President in February of each year in accordance with the Budget and Accounting Act of 1921, as amended, estimating Government receipts and outlays for the ensuing FY and recommending appropriations in detail.
Fiscal Year	The yearly accounting period without regard to its relationship to a calendar year. The FY for the federal government begins on October 1 and ends September 30 and is designated by the calendar year in which it ends; for example, FY 1997 is the year beginning October 1, 1996, and ending September 30, 1997. (Prior to fiscal year 1977, the Federal FY began on July 1 and ended on June30.)