

U.S. MARINE CORPS

UNITED STATES MARINE CORPS
2012 FINANCIAL REPORT
SCHEDULE OF BUDGETARY ACTIVITY
FOR FISCAL YEAR 2012 APPROPRIATIONS



Report Documentation Page

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Message from the Fiscal Director of the Marine Corps



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

December 20, 2013

The Marine Corps is America's expeditionary force in readiness, providing a responsive and scalable presence around the world that is prepared to respond to today's crisis... with today's force... Today! The Commandant of the Marine Corps, in his Planning Guidance, highlights the necessary actions to keep Marines focused on both the current fight and the future. First and foremost, Marine units deploying to Afghanistan will be the best trained and equipped; and we will simultaneously care for our Wounded Warriors and our Marine families. Concurrently, the Marine Corps will rebalance to posture itself for the future and aggressively experiment with and implement new capabilities and organizations. This will require better educated and trained Marines to succeed in distributed operations and increasingly complex environments. Throughout all, we will keep faith with our Marines, our Sailors and our families. Key to achieving all of these outcomes is sound financial management that informs decisions about where and when to apply resources to meet national defense requirements.



Consistent with the Commandant's guidance, the Marine Corps' approach to audit readiness has been to heighten current financial discipline and processes while remaining aligned with the Department of Defense's strategic direction. The Marine Corps continues to lead the U.S. Armed Forces by pursuing an independent audit of its budgetary activity schedule for current year appropriations that is also compliant with Generally Accepted Accounting Principles (GAAP). The audit of this financial report will attest to the positive outcomes of valid and precise financial information, fiscal accountability, prior audit lessons learned, and years of financial improvement via systems integration, process baselining, personnel training and sound leadership oversight. While the Marine Corps does produce the same financial statements and notes as the Department of the Navy, this financial report presents only the discrete Marine Corps General Fund Schedule of Budgetary Activity, accompanying notes and pertinent information for the 2012 fiscal year.

The Marine Corps takes seriously the fiduciary responsibility associated with defending our Nation, and we are committed to fiscal soundness, transparency, and accountability. This year's financial report demonstrates our dedication to assure the public that we are efficient and prudent stewards of the nation's resources entrusted to us.

A handwritten signature in black ink that reads "Ann-Cecile M. McDermott".

ANN-CECILE M. McDERMOTT
Assistant Deputy Commandant
Programs and Resources (Resources)/
Fiscal Director
United States Marine Corps

Management's Discussion & Analysis

The United States Marine Corps was established on 10 November 1775 to provide security to naval vessels and boarding parties, and to conduct limited land engagements in support of naval operations. During the 20th century, the Marine Corps pioneered the concept of close air support and developed the doctrine of amphibious operations that became vital during the island hopping campaigns in the Pacific during World War II. After the war, Congress codified the roles and missions of the Marine Corps in the National Security Act of 1947. The Marine Corps' missions include:

- Seizing or defending advanced naval bases and to conduct such land operations as may be essential to the prosecution of a naval campaign
- Providing detachments and organizations for service in armed vessels for the Navy or for the protection of naval property on naval stations and bases
- Developing with the other Armed Forces, tactics, techniques, and equipment employed by landing forces in amphibious operations
- Training and equipping, as required Marine forces for airborne operations
- Developing with other Armed Forces, doctrine, procedures, and equipment of interest to the Marine Corps for airborne operations which are not provided for by the Army
- Expanding from peacetime components to meet the needs of war in accordance with mobilization plans.

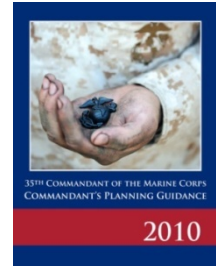


Figure 1 - Commandant's Planning Guidance 2010

The United States Marine Corps America's Expeditionary Force in Readiness

During the past year, your United States Marines have responded to unexpected crises, irregular threats, and challenges around the world: humanitarian-assistance and disaster-relief efforts in Japan; non-combatant evacuation operations in Tunisia; counter-piracy missions in the Gulf of Aden; air strikes over Libya; and reinforcing U.S. embassies in the Middle East amid a wave of civil turmoil...all while 19,000 Marines and Sailors continued the fight in Afghanistan. These events underscore the value of the Marine Corps to the Nation and why its programs are so important to the Corps.

The Marine Corps is America's Expeditionary Force in Readiness — a balanced air-ground-logistics team. We are forward deployed and forward engaged: shaping, training, deterring, and responding to all manner of crises and contingencies. We create options and decision space for our Nation's leaders. Alert and ready, we respond to today's crisis, with today's force ... today! Responsive and scalable, we team with other Services, allies and interagency partners. We enable and participate in joint and combined operations of any magnitude. A middleweight force, we are light enough to get there quickly, but heavy enough to carry the day upon arrival, and capable of operating independent of local infrastructure. We operate throughout the spectrum of threats — irregular, hybrid, conventional — and the shady areas where they overlap. Marines are ready to respond whenever the Nation calls ... wherever the President may direct.

— General James F. Amos
35th Commandant of the Marine Corps

Uncertainty, Complexity, Instability, Chaos

Our Nation confronts an uncertain, ambiguous, and dangerous, future. We cannot predict where or when we will need to respond on short notice, but we know that the Marine Corps will be called upon to safeguard U.S. citizens, interests, and allies worldwide. The events of the past year set the baseline for a “new normal” characterized by a complex world of uncertainty, instability, and chaos: poverty, urbanization, extremism, and failed states that often become safe havens for terrorist, insurgent, and criminal groups. There is increasing competition for scarce natural resources that fuels regional tension, crisis, and conflict.

As the Secretary of Defense underscored in January 2012,

...even as our large-scale military campaigns recede, the United States still faces a complex and growing array of security challenges across the globe. And... the fact is that there remain a number of challenges that we have to confront, challenges that call for reshaping of America’s defense priorities: focusing on the continuing threat of violent extremism, which is still there and still to be dealt with; proliferation of lethal weapons and materials; the destabilizing behavior of nations like Iran and North Korea; the rise of new powers across Asia; and the dramatic changes that we’ve seen unfold in the Middle East.

– The Honorable Leon E. Panetta
Secretary of Defense

This is the world in which we will live...this is where America’s Marines will operate.

Strategic Guidance and Decisions

Your Marine Corps is changing to meet the evolving threats and challenges that confront the Nation. The Defense Strategic Guidance issued by the President and the Secretary of Defense in 2012 — Sustaining U.S. Global Leadership: Priorities for 21st Century Defense — provides the framework by which the Marine Corps will balance the demands of the future security environment with the fiscal realities of the budget. The Guidance calls for a future force that will be affordable but also will “remain capable across the spectrum of missions, fully prepared to deter and defeat aggression and to defend the homeland and our allies in a complex security environment.”

We will sustain a quality expeditionary force that is fully capable of executing its assigned missions and takes into account the strategic “pivot” to the Pacific and Central Command regions. The Marine Corps and the Navy are already positioned to support that strategy and will remain vigilant and capable to respond on short notice in other areas of the world. Our 2010 force structure assessment, coupled with the 2011-12 Defense Strategic Guidance review, resulted in the following decisions to:

- Reduce the end strength of the active component of the Marine Corps from 202,000 beginning this fiscal year to 182,100 by the end of Fiscal Year (FY) 2016.
- Design a force with capability optimized for forward-presence, engagement, and rapid crisis response.
- Fund readiness levels required for immediate deployment and crisis response, as well as material reset and modernization programs.
- Re-shape organizations, capabilities and capacities to increase aggregate utility and flexibility across the range of military operations.

- Enhance support to the U.S. Special Operations and Cyber Commands.
- Balance critical capabilities and enablers across our air-ground-logistics teams, ensuring that low-density/high-demand assets became right-density/high-demand assets.
- Incorporated the lessons learned from ten years of war — in particular, the requirements to field a force that is manned, trained, and equipped to conduct distributed operations.
- Create an operational reserve component capability without any reductions in the reserve force structure of 39,600 Marines.
- Design the force for more closely integrated operations with our Navy, special operations and inter-agency partners.

Marine Corps Expeditionary Readiness

The Marine Corps primary strategic advantage for the Nation’s defense is to create options and decision space for America’s civilian and military leaders. As a maritime nation with global commitments and responsibilities, the United States relies on the Marine Corps for the unparalleled ability to project U.S. power rapidly across the global land, sea, air, space, and cyber “commons.” Today, Marines stand ready to come from the sea to conduct missions across the full range of military operations.

Our role as America’s crisis-response force requires a high state of individual and unit readiness and the ability to sustain operations with organic logistics and resupply. We must be ready to deploy today and begin operating upon arrival, even in the most austere environments.

Key Concepts

Robust, forward-deployed forces with balanced ground, aviation, and logistics units enable us to “go now,” figure things out when we get there, and begin operating immediately—even in the most austere environments. Our inherent agility and speed buy time for national leaders to develop strategic options, shape the environment, and deploy the full capabilities of the joint force and other elements of national power. In short, the Marine Corps repeatedly exhibits exactly what the 82nd Congress envisioned in 1952:

“...the vital need for the existence of a strong force in readiness. Such a force, versatile, fast-moving, and hard-hitting, will constant have a powerful impact in relation to minor international disturbances.... Such a force can prevent the growth of potentially large conflagrations by prompt and vigorous action during their incipient stages.... The Nation’s shock troops must be the most ready when the Nation is generally least ready...to provide a balanced force in readiness for a naval campaign and, at the same time, a ground and air striking force ready to suppress or contain international disturbances short of large-scale war.”

A “Middleweight” Force from the Sea

As the Nation’s sea-based “middleweight force,” Marines operate in a “lane” that intersects all warfighting domains — land, sea, air, space and cyber — throughout a matrix of threats and challenges. The Marine Corps is light enough to arrive rapidly at the scene of a crisis, but heavy enough to sustain itself upon arrival, thus bringing connectivity between the Nation’s heavy conventional and light special operations forces. Although the Marine Corps is not designed to be America’s second land army, since

1775 Marines have been called to support sustained operations ashore. Most fundamentally, the Corps is a critical element of America's integrated naval forces to project power from the sea.

Respond to Crises...Project Power

Marines have responded to crises and conducted amphibious operations throughout the world more than 100 times during the past two decades. The vast majority of our expeditionary operations focused on humanitarian assistance, disaster response, and limited contingency and theater-entry operations. The Navy-Marine Corps Team provides the capability for massing potent forces close to a foreign shore, while maintaining a diplomatically sensitive low profile. In an era of a general drawdown of U.S. and allied forces worldwide, the geographic combatant commanders have increased their demand for forward-postured Marine Corps/Navy amphibious forces capable of conducting security cooperation, regional deterrence, crisis response, and full-scale combat.

Expeditionary Mindset

The Marine Corps is an "expeditionary" force. This drives the way we organize our forces, how we train, and what equipment we buy, and necessitates a constant high state of unit readiness. Expeditionary means that we are fully capable of operating in austere environments. When we deploy we bring the water, fuel, supplies, and weapons that our Marines and Sailors need to accomplish the mission. Our unique forward posture aboard amphibious ships, manned by well-trained and equipped Marines and Sailors, positions us to be first to the fight with the logistical resources to remain engaged for as long as needed.

Sustained Forward Presence

Forward-deployed naval forces are a deterrent and provide a flexible, agile response capability for any contingency. Sustained forward presence helps to provide stability to areas of strategic importance. From the sea, Marines support our partners and our allies, respond to crisis where we have no access rights or permissive facilities, and protect our national interests around the world. "Being there" demonstrates our economic, political, and military commitment to a particular region. It deters potential adversaries and assures our friends.

Littoral Maneuver

Amphibious capabilities provide the means to conduct littoral maneuver — the ability to maneuver combat ready forces from the sea to the shore and inland in order to achieve a positional advantage over the enemy. Operating in the littoral environment demands the close integration of air, sea and land power. Working seamlessly, the Navy and Marine Corps Team provides the essential elements of access and forcible entry that are necessary components of a joint campaign.

Joint and Combined Operations

The Marine Corps will continue to operate in a unique "lane" in the capability range of America's armed forces under the new Defense strategy. Marines instinctively understand the logic and synergy behind joint operations. This extends to combined operations with allies and friends. Our ability to deploy rapidly and globally allows us to set the stage and enable the transition to follow-on joint forces. Our Marine Air Ground Task Force (MAGTF) structure — with organic ground, aviation, logistics, command and control, intelligence, fires and other assets — enables us to seamlessly team with other U.S. and partner forces, providing broad options for the joint force commander.

Military Engagement

The security challenges of the early 21st Century require an expansion of America's global engagement with partners, allies, and friends to promote collaborative approaches to common security concerns. Our support of the geographic combatant commanders enables host-nation forces to address local and regional threats. Engagement promotes regional stability and the growth of democracy while also deterring aggression. This requires Marines who are not only fighters, but also who can serve as trainers, mentors and advisers.

Marine Corps Value to the Nation

For a remarkably small investment, the Marine Corps provides the protection our Nation needs in an increasingly uncertain but still-dangerous world. Marines and their weapons and equipment account for only 8.2% of the total Department of Defense (DoD) FY 2012 budget, but that still delivers the ability to respond to crises — from humanitarian-assistance and disaster-relief efforts to non-combatant evacuation operations to counter-piracy operations — as well as full-scale combat. When the Nation pays the affordable “sticker price” for its Marines, it buys the ability to remain forward deployed and forward engaged, to reinforce alliances and build partner capacity, and be ready to respond at a moment's notice should crisis or conflict erupt.

Management Assurance

Commanders and managers throughout the Marine Corps must ensure the integrity of their programs and operations. Part of this responsibility entails compliance with Federal requirements for financial reporting, financial management systems, and internal controls, such as the *Federal Financial Management Improvement Act* (FFMIA) and the *Federal Managers' Financial Integrity Act* (FMFIA). These requirements promote the production of more timely, reliable, and accessible financial information, supported by the development and implementation of more effective internal controls. More useful financial information and effective controls save money and improve efficiency, thereby enhancing public confidence in our stewardship of public resources, which is critical for the protection and sustainment of our nation and vital U.S. interests.

Federal Financial Management Improvement Act

The FFMIA of 1996 requires agencies to implement and maintain financial management systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Standard General Ledger (USSGL) at the transaction level. FFMIA supports the same objectives as the Chief Financial Officers Act of 1990 but with a systems emphasis. For this Schedule of Budgetary Activity (SBA), the Marine Corps, Defense Finance and Accounting Service (DFAS), and Defense Logistics Agency (DLA) are jointly responsible for implementing and maintaining financial management, accounting and reporting systems that substantially comply with Federal financial management systems requirements, U.S. generally accepted accounting principles (USGAAP), and the USSGL at the transaction level. We have assessed the current U.S. Marine Corps General Fund (USMC GF) financial management systems environment based on Office of Management and Budget (OMB) guidance and determined that although systems need enhanced controls to be compliant with FFMIA, the USMC GF core accounting system (i.e. SABRS) provides sufficient evidence supporting various material amounts on the SBA financial report and complies with applicable USGAAP

and USSGL requirements at the transaction level. Remedial and/or compensating actions are underway to correct identified deficiencies for FY 2012. These actions include the correction of deficiencies, the implementation of work-around solutions, and the use of compensating controls to reduce the risk of potential misstatement at the financial reporting level. Business feeder systems owned by others are under their control and responsibility. Business feeder system owners are separately required to ensure compliance with Federal financial management system requirements.

Federal Managers' Financial Integrity Act

The FMFIA of 1982 requires agencies to evaluate their system of internal accounting and administrative controls and to report on the effectiveness of these controls in an annual statement of assurance. Appendix A of OMB Circular A-123 provides specific requirements for conducting management's assessment of internal control over financial reporting, and also requires the agency head to provide an assurance statement on the effectiveness of internal controls over financial reporting. We assessed our systems of internal control over non-financial operations and financial reporting in effect as of September 30, 2012. Based on these assessments, we provided qualified assurance on the effectiveness of our internal controls over non-financial operations. The Marine Corps also provided a qualified statement of assurance for the internal control over financial reporting for select assessable units influencing the SBA focus areas highlighted in the May 2012 Financial Improvement and Audit Readiness (FIAR) Plan Status Report. Completion of corrective actions for several noted material weaknesses is expected by September 2014.

Financial Reporting Environment

The Marine Corps, which has been designated as a Non-OMB Reporting Entity by the DoD, maintains accountability for its appropriated General Funds and shared appropriations provided by the Department of the Navy (DON).

Additionally, *Statement of Federal Financial Accounting Concepts (SFFAC) Number 2, Entity and Display*, states that reporting entities are entities that issue general-purpose financial statements to communicate financial and related information about the entity. Although its general-purpose financial statements (incorporated within the DON's financial statements) are not presented here, the Marine Corps does meet the following criteria, as required by SFFAC No. 2 to be designated as a reporting entity:

There is a management responsibility for controlling and deploying resources, producing outputs and outcomes, executing the budget or a portion thereof (assuming that the entity is included in the budget), and held accountable for the entity's performance.

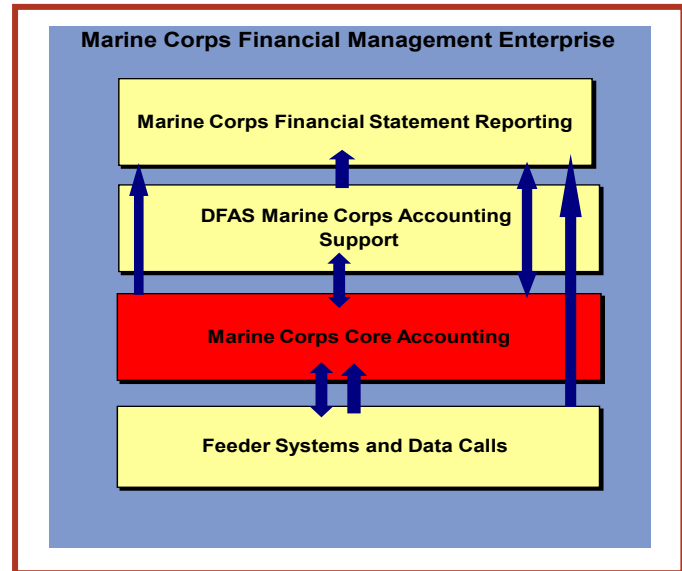
The entity's scope is such that its financial statements would provide a meaningful representation of operations and financial condition.

There are likely to be users of the financial statements who are interested in and could use the information in the statements to help them make resource allocation and other decisions and hold the entity accountable for its deployment and use of resources.

Financial Management Enterprise

The Marine Corps Financial Management Enterprise is composed of 4 layers. These layers consist of the Feeder systems and Data Call layer, the Marine Corps Core Accounting layer, the Defense Finance and Accounting Service (DFAS) Accounting Support layer, and the Marine Corps Financial Statement Reporting layer (which includes lower level reports, such as this Schedule). This diagram depicts each layer of the Marine Corps Financial Management Enterprise.

The sections below describe the Marine Corps Financial Management Enterprise layers in more detail and show the flow of data through several layers.



Marine Corps Core Accounting

The Standard Accounting, Budgeting and Reporting System (SABRS) accounts for all U.S. Marine Corps funds throughout the appropriation life cycle and contains financial data from the installation level up to Headquarters, Marine Corps (HQMC). SABRS was designed to meet fiduciary standards established by the Government Accountability Office (GAO), OMB, U.S. Treasury Department, and the DoD. SABRS, in its operational state, has been independently tested and reviewed in accordance with OMB Office Federal Financial Management (OFFM)/Joint Financial Management Improvement Program (JFMIP) standards. SABRS serves as a proven, modern, compliant government-owned accounting system that meets and provides the following:

- Incorporates a DLA template from the former Business Transformation Agency (BTA)
- Transaction driven USSGL data
- JFMIP tested in configured operational environment
- Business intelligence (made to order reports via COGNOS REPORTNET)
- Data structure compliant with DoD Standard Financial Information Structure (SFIS), Phase 1 requirements
- Online general ledger update
- Batch general ledger transaction update for multiple source feeder systems
- Table driven
- Individual command and agency level trial balance reports
- Real-time contingency cost reporting for cost of war and natural disasters
- Defense Departmental Reporting System (DDRS) – Budgetary Module trial balance feed
- Daily Departmental Reports to include DD 1002, SF 133, etc. with drill down capability to the detail transaction level
- Daily Balance Sheet and Statement of Budgetary Resources with drill down capability to the detail transaction level
- Transactional or summary feeds to the Business Enterprise Information Services (BEIS)

Feeder Systems

The Marine Corps enterprise consists of numerous feeder systems that interface and share financial transactional data with the Marine Corps accounting system. SABRS is the Marine Corps’ core accounting system for all general fund appropriations, designated as its system of record and approved by DLA. Over 90% of detail source financial transactions are processed into SABRS from a feeder system.

SABRS and Feeder System Control Environment

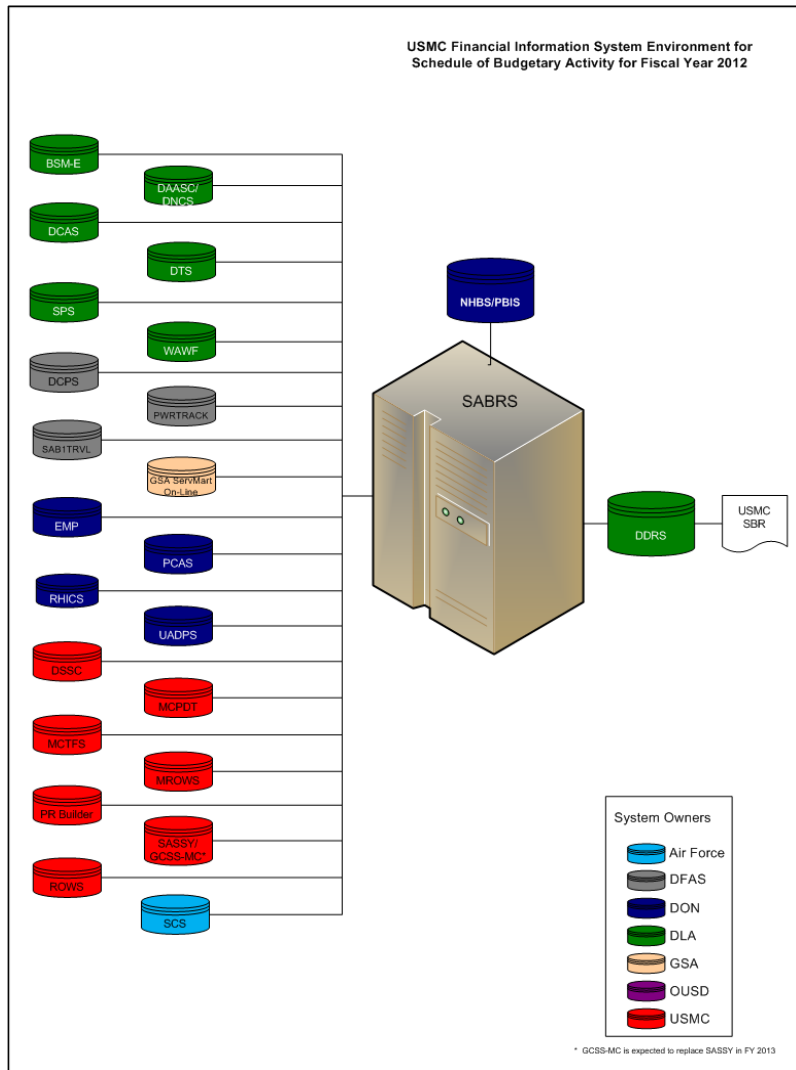
The chart to the right illustrates the interaction of SABRS and feeder systems.

**Business Systems to SABRS
Transaction Linkages for Contract
Acquisition Process**

SABRS processes and posts the proper phase of the transaction cycle (i.e. commitment, obligation, expense, and liquidation) and updates the appropriate USSGL accounts for budgetary and proprietary accounting.

SABRS updates the General Ledger and Transaction History Files after it receives detailed transactions from its business feeder systems. On a daily basis, SABRS updates the Marine Corps General Fund activity by passing the information contained in General Ledger and the Transaction History Files to BEIS and DDRS.

Of the feeder systems that interface with SABRS, there are 25 considered Tier 1 feeder systems. Tier 1 feeder systems provide direct input to and/or receive direct output from SABRS and are listed below.



Sys ID	SYSTEM NAME	OWNER
BSM-E	Business System Modernization Energy	DLA
DAASC DNCS	Defense Automatic Addressing System Center Network Control System	DLA
DCAS	Defense Cash Accountability System	DLA
DDRS*	Defense Departmental Reporting System	DLA
DTS	Defense Travel System	DLA
SPS	Standard Procurement System	DLA

WAWF	Wide Area Work Flow - Receipt & Acceptance/Misc. Payment	DLA
SCS	Stock Control System	USAF
EMP	eMARKETPLACE	DON
NHBS/PBIS	Navy Headquarters Budget Systems / Program Budget Information System	DON
PCAS	Purchase Card Automation System (CitiDirect)	DON
RHICS	Regional Hazardous Inventory Control System	DON
UADPS	Uniform Automated Data Processing System	DON
GSA	General Services Administration (ServMart)	GSA
DSSC	Direct Support Stock Control System	USMC
GCSS-MC	Global Combat Supply System – Marine Corps	USMC
MCPDT	Marine Corps Permanent Duty Travel	USMC
MCTFS	Marine Corps Total Force System	USMC
MROWS	Marine Reserve Order Writing System	USMC
ROWS	Reserve Order Writing System	USMC
PRB	Purchase Request Builder (PR Builder)	USMC
SASSY	Supported Activities Supply System	USMC
DCPS	Defense Civilian Pay System	DFAS
PWRTRACK	PowerTrack (USBank)	DFAS
SAB1TRV	SABRS 1 Travel Order Writing System	DFAS

* SABRS provides output to DDRS.

Table 1. Marine Corps Tier 1 Feeder Systems

DFAS Accounting Support

DFAS supports the Marine Corps by providing accounting services to include retrieval of the Marine Corps financial data from SABRS and creating the Marine Corps financial reports.

To provide Marine Corps accounting support, DFAS utilizes the Defense Departmental Reporting System (DDRS), a web-based system and the sole reporting system used for preparing the Marine Corps financial reports. Two modules of DDRS—the Audited Financial Statements Module (DDRS-AFS) and the Budgetary Module (DDRS-B)—standardize the Marine Corps reporting process and produce the quarterly and annual departmental reports based on the USSGL.

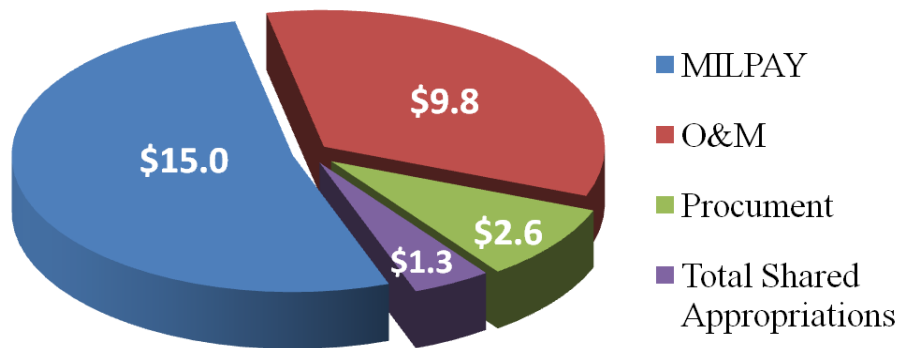
The Marine Corps produces its trial balance from the SABRS general ledger file and imports it into DDRS-B. The Marine Corps uses DDRS-B to balance budgetary accounts and produce budgetary reports, including the *SF-133, Report on Budget Execution and Budgetary Resources* (SF-133), this Schedule and others. DFAS compiles and uploads the Marine Corps Trial Balance from SABRS into the DDRS-B application and records adjustments, generates reports, and attaches footnotes.

Financial Highlights

Marine Corps Appropriations

To support its core mission, the Marine Corps received approximately \$28.7 billion in General Fund Appropriations for FY 2012. The Marine Corps General Funds are Congressional appropriations to include military personnel, operations and maintenance, and procurement.

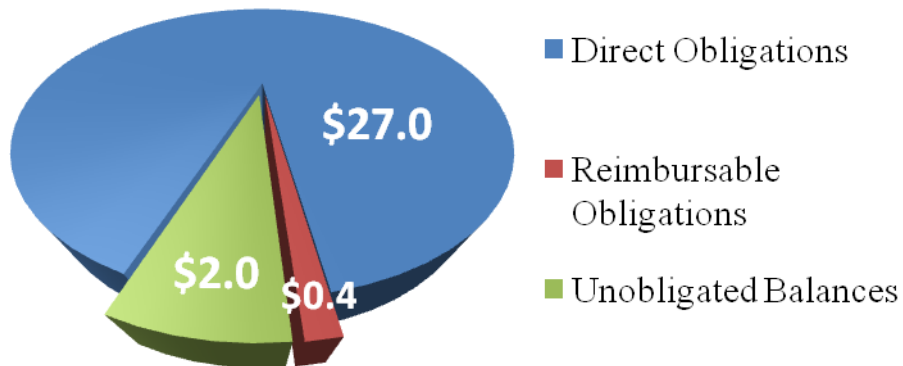
Marine Corps FY 2012 Appropriations (\$ in Billions)



Status of Funds

The status of \$29.4 billion in budgetary resources consists of the obligations incurred (Direct and Reimbursable) and the unobligated balances at the end of the period. The total amount displayed for the status of budgetary resources will equal the total budgetary resources available to the reporting entity as of the reporting date.

Marine Corps FY 2012 Status of Funds (\$ in Billions)





General Fund Schedule of Budgetary Activity

As stated in the DoD Financial Management Regulation (FMR) Volume 6B Chapter 1 “Introduction and Summary” dated June 2012, DoD recognizes the Marine Corps as a Non-OMB Reporting Entity.

The FMR states that “These [Non-OMB Reporting] entities are no longer subject to the formal financial statement reporting requirements previously established by DoD and are not a required ‘reporter’ per OMB A-136. These entities have demonstrated the ability to prepare financial statements and conduct the appropriate analyses, therefore quarterly financial statements, accompanying notes, and the related variance analysis are not required to be submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSDC) for review. ...each non-OMB reporting entity will determine their internal reporting and audit requirements, as deemed necessary for continued improvement of financial data and achievement of audit objectives.”

On this premise, the Marine Corps continues with preparing comprehensive, subsidiary financial statements and related notes started in FY 2006. From the issuance of those initial financial statements, the Marine Corps has devoted significant effort toward being the first U.S. combatant Service entity to undergo an independent audit of its financial statements, reports, and note disclosures, which reinforces sound financial processes and procedures.

In concert with the Department’s timeline and objectives, the Marine Corps progresses toward the same goal of reliable financial statements, backed by clean audit reporting. In so doing, the Marine Corps issues this budgetary activity schedule with the specific scope of its current fiscal year appropriations. The following report is a schedule of those appropriations enacted for periods starting with the FY 2012.

USMC FY 2012 Schedule of Budgetary Activity (SBA) is derived from the September FY 2012 *SF-133, Report on Budget Execution and Budgetary Resources* (SF-133) for the FY 2012 appropriations only. Each SF-133 (a separate report for each appropriation) is combined with totals reported on SBA. *OMB Circular A-11, Preparation, Submission and Execution of the Budget*, Section 130, “SF 133, Report on Budget Execution and Budgetary Resources” states the purposes of the SF-133 as follows:

1. Fulfill the requirement in 31 U.S.C. 1511–1514 that the President review Federal expenditures at least four times a year,
2. Allow status monitoring for funds that were apportioned on the SF-132, *Apportionment and Reapportionment Schedule* and funds that were not apportioned,
3. Provide a consistent presentation of information across programs within each agency, and across agencies, which helps program, budget, and accounting staffs to communicate,
4. Provide historical reference that can be used to help prepare the President's Budget, program operating plans, and spend-out rate estimates,
5. Provide a basis upon which to determine obligation patterns when programs are required to operate under continuing resolution, and
6. Tie an agency's financial statements to its budget execution. The compilation of an agency's SF133s should generally agree with an agency's Statement of Budgetary Resources.

The SBA and SF-133 present the following sections: Budgetary Resources, Status of Budgetary Resources, Change in Obligated Balance, Budget Authority and Outlays, and Unfunded Deficiencies.

General Fund Schedule of Budgetary Activity

Department of the Navy
 United States Marine Corps — General Fund
 SCHEDULE OF BUDGETARY ACTIVITIES

For Fiscal Year 2012 Appropriations, Fiscal Year Ended September 30, 2012 (In Thousands)

BUDGETARY RESOURCES	
Unobligated balance:	
Nonexpenditure transfers:	
Unobligated balance transferred from other accounts	\$ 260,276
Anticipated transfers and adjustments:	
Unobligated balance, total	\$ 260,276
Budget authority:	
Appropriations:	
Discretionary:	
Appropriation	\$ 28,733,356
Nonexpenditure transfers:	
Appropriations transferred to other accounts (-)	\$ (129,230)
Appropriations transferred from other accounts	\$ 606,658
Adjustments:	
Appropriations permanently reduced (-)	\$ (455,007)
Appropriation (total)	\$ 28,755,777
Spending authority from offsetting collections:	
Discretionary:	
Collected	\$ 309,771
Change in uncollected customer payments from Federal sources (+or -)	\$ 79,140
Spending authority from offsetting collections (total)	\$ 388,911
Budget authority total (discretionary and mandatory)	\$ 29,144,688
Total budgetary resources	\$ 29,404,964
STATUS OF BUDGETARY RESOURCES	
Obligations incurred:	
Direct:	
Category A (by quarter)	\$ 24,839,060
Category B (by project)	\$ 2,235,420
Direct obligations (total)	\$ 27,074,480
Reimbursable:	
Category B (by project)	\$ 407,237
LUMP SUM	\$ 407,237
Reimbursable obligations (total)	\$ 407,237
Unobligated balance	
Apportioned	
Available in the current period	\$ 1,923,247
Unapportioned	
Unobligated balance, end of year	\$ 1,923,247
Total budgetary resources	\$ 29,404,964
CHANGE IN OBLIGATED BALANCE	
Unpaid obligations:	
Obligations incurred, unexpired accounts	\$ 27,481,717
Outlays (gross) (-)	\$ (21,433,277)
Obligated balance, end of year (net):	
Unpaid obligations, end of year	\$ 6,048,440
Uncollected payments:	
Change in uncollected pymts, Fed sources, unexpired accounts (+ or -)	\$ (79,140)
Obligated balance, end of year (net):	
Uncollected pymts, Fed sources, end of year (-)	\$ (79,140)
Obligated balance, end of year	\$ 5,969,300
BUDGET AUTHORITY AND OUTLAYS, NET	
Discretionary:	
Gross budget authority and outlays:	
Budget authority, gross	\$ 29,144,688
Outlays from new discretionary authority	\$ 21,433,277
Outlays from discretionary balances	
Total outlays, gross	\$ 21,433,277
Offsets against gross budget authority and outlays:	
Offsetting collections (collected) from:	
Federal sources (-)	\$ (226,888)
Non-Federal sources (-)	\$ (82,883)
Offsets against gross budget authority and outlays (total) (-)	\$ (309,771)
Additional offsets against gross budget authority only:	
Change in uncollected cust. payments from Fed. sources (unexpired accounts) (+ or -)	\$ (79,140)
Additional offsets against budget authority only (total)	\$ (79,140)
Budget authority, net (discretionary)	\$ 28,755,777
Outlays, net (discretionary)	\$ 21,123,506
Budget authority and outlays, net (total)	
Budget authority, net (discretionary and mandatory)	\$ 28,755,777
Outlays, net (discretionary and mandatory)	\$ 21,123,506

As reported on SF-133, Report on Budget Execution and Budgetary Resources

Notes to the General Fund Schedule of Budgetary Activity

Background

Marine Corps leadership has entered into agreement with the Department of Defense, Office of Inspector General (DoDIG) to submit and provide support to a General Fund (USMC GF) Schedule of Budgetary Activity audit for the fiscal year ended September 30, 2012. The Office of the Under Secretary of Defense (Comptroller) [OUSD(C)] and the DoDIG agreement was based on results of the attribute assessment performed by OUSD(C) Financial Improvement and Audit Readiness (FIAR) and DoDIG review and U.S. Government Accountability Office (GAO) comments and guidance. The following notes to the Schedule of Budgetary Activity (SBA) are an integral part of the report:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. Basis of Presentation

The United States Marine Corps (USMC), a component of the Department of the Navy (DON), has prepared the SBA to report on General Fund (GF) appropriations warranted in FY 2012 as highlighted in Note 1.B. The SBA has been prepared from the books and records of USMC GF, to the extent applicable, based on U.S. generally accepted accounting principles (USGAAP) promulgated by the Federal Accounting Standards Advisory Board, and specific guidance contained in the Treasury Financial Manual (TFM) and the Department of Defense (DoD) Financial Management Regulation (FMR). The SBA reports the activity of specific budgetary resources provided to the USMC and their use/status. Primarily, the SBA reflects the funding provided (appropriations enacted, apportioned, and allotted), the use of those funds via obligations (undelivered and delivered orders), payments and available balances until the appropriation expires and is cancelled in the U. S. Treasury. The SBA is created using detailed transaction information collected from Standard Accounting, Budgeting and Reporting System (SABRS) and the Defense Departmental Reporting System (DDRS).

1.B. Appropriations and Funds

The USMC GF receives appropriations and funds as general and special funds. These appropriations and funds may be either provided solely to USMC GF or shared with other DON activities. The USMC GF uses these appropriations and funds to execute its mission and subsequently report on resource usage. General funds are used for financial transactions funded by congressional appropriations, including military personnel, operation and maintenance, research and development, and procurement. Special funds accounts are used to record government receipts reserved for a specific purpose. For the purposes of this SBA, the USMC did not receive appropriations for a specific purpose in FY 2012 and is not reporting on any special funds.

**Appropriations, Funds and Accounts included in the
Schedule of Budgetary Activity
For Fiscal Year 2012 Appropriations**

Appropriation Number	Appropriation Name
17 2012/2012 0735	Family Housing Management Account, (DEF)
17 2012/2012 1105	Military Pay, Marine Corps
17 2012/2012 1106	Operation and Maintenance, Marine Corps (O&M, MC)

Appropriation Number	Appropriation Name
17 2012/2012 1107	Operation and Maintenance, Marine Corps Reserve (O&M, MCR)
17 2012/2012 1108	Reserve Personnel, Marine Corps (RPMC)
17 2012/2014 1109	Procurement, Marine Corps (PMC)
17 2012/2013 1319	Research, Development, Test, and Evaluation, Navy (RDT&E,N)
17 2012/2014 1508	Procurement, Ammunition Navy & Marine Corps (PANMC)

1.C. Basis of Accounting

The USMC employs accrual accounting and recognizes expenses against legal encumbrances as services are received or rendered, whether paid or not. As such and for the purpose of the SBA, resources are aligned against obligated balances (undelivered and delivered) where an expectation exists that a consequent collection or outlay will result (either immediately or in the future) from action, agreement, or delivery when recognized and realized. Many of USMC GF's financial and nonfinancial feeder systems and processes were designed and implemented prior to the issuance of USGAAP. Originally, these systems were not designed to collect and record financial information on the full accrual accounting basis as required by USGAAP. Most of USMC GF's financial and nonfinancial legacy systems recorded information primarily on a budgetary basis. Therefore, the USMC enters adjustments into its GF financial management systems to meet all full accrual accounting requirements.

The DoD is determining the actions required to bring financial and nonfinancial feeder systems and processes into compliance with USGAAP. The USMC core accounting system SABRS is a transaction driven general ledger accounting system that utilizes standardized transactions for processing. The USMC GF management recognizes the existence of USMC GF dependencies related to DoD financial and nonfinancial systems. SABRS is interfaced with DoD approved business enterprise systems, such as the Defense Travel System, Standard Procurement System, Defense Civilian Personnel System, Defense Cash Accountability System and DDRS. These interfaces improve financial reporting and eliminate manual recording by capturing data from the source systems. Until all USMC GF financial and nonfinancial feeder systems and processes are updated to collect and report financial information as required by USGAAP, USMC GF's financial data will be derived from budgetary transactions, data from nonfinancial feeder systems, and accruals.

1.D. Accounting for Intragovernmental Activities

Accounting standards require that an entity eliminates intra-entity activity and balances from consolidated financial statements in order to prevent overstatement for business with itself. The USMC GF accounts for all intragovernmental transactions at the transaction level. In an effort to more efficiently identify intragovernmental transactions by customer, USMC GF has implemented the DoD's trading partner requirements in its accounting system to capture trading partner data. To this end, USMC is continuously working towards strengthening its processes in order to ensure full compliance and reporting transparency for intragovernmental balances. This includes compliance with TFM, Part 2 - Chapter 4700, "Agency Reporting Requirements for the Financial Report of the United States Government," for reporting and reconciling intragovernmental balances.

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

The USMC GF's monetary resources are maintained in U.S. Treasury accounts. The disbursing offices of Defense Finance and Accounting Service (DFAS), the Military Services, the U.S. Army Corps of Engineers (USACE), and the Department of State's financial service centers process the majority of USMC GF's cash collections, disbursements, and adjustments worldwide. Each disbursing station prepares monthly reports to the U.S. Treasury on checks issued, electronic fund transfers, interagency transfers, and deposits. In addition, DFAS sites and USACE Finance Center submit reports to the U.S. Treasury by appropriation on interagency transfers, collections received, and disbursements issued. The U.S. Treasury records these transactions to the applicable Fund Balance with Treasury (FBWT) account.

1.F. Undistributed Disbursements and Collections

Undistributed disbursements and collections represent the difference between disbursements and collections matched at the transaction level to specific obligations of undelivered and delivered orders-unpaid in the source system and those reported by the U.S. Treasury. Supported disbursements and collections are evidenced by corroborating documentation. In accordance to the DoD policy, USMC allocates supported undistributed disbursements and collections between federal and nonfederal categories based on the percentage of distributed federal and nonfederal expenses. Supported undistributed disbursements and collections are then applied to reduce expenses accordingly. Similarly, unsupported undistributed disbursements and collections are recorded as disbursements and collections in transit and reduce nonfederal expenses.

1.G. Significant Accounting Estimate

The USMC developed and is utilizing a significant accounting estimate to complete the year end recording of a \$152.3 million of un-liquidated obligations related to Transportation Account Code (TAC) Standard Document Numbers (SDNs). Transportation Account Code SDNs are utilized by the USMC to capture shipping costs from a number of different sources throughout the DoD. The USMC has estimated an adjustment (noted as part of the auditor adjustment in the FY12 statement under Obligations incurred, for \$53.7 million) based on prior years liquidations that occurred between FY08 – Q3 FY13 and known process trends to more accurately reflect the obligation balance at year end. The USMC has implemented this additional step for these specific SDNs to strengthen the USMC financial presentation and compliance with all Federal and DOD regulations.

NOTE 2. APPORTIONMENT OF OBLIGATIONS INCURRED

Obligations incurred represent the amount of direct and reimbursable obligations incurred against amounts apportioned under Category A (CAT A) and Category B (CAT B), as defined in OMB Circular A-11, Part 4, Instructions on Budget Execution. CAT A are apportions of budgetary resources by fiscal quarters, e.g. quarter one (October 1 through December 31), quarter two (January 1 through March 31), quarter three (April 1 through June 30) and quarter four (July 1 through September 30). CAT B are apportions of budgetary resources by activities, projects, objects or a combination of these categories.

	Direct	Reimbursable	Totals
Category A	\$24,779.4	\$0	\$24,779.4
Category B	\$2,235.4	\$407.2	\$2,642.6
Total	\$27,014.8	\$407.2	\$27,422.0

* Figures rounded to the nearest thousand dollars



Other Accompanying Information

Department of the Navy
United States Marine Corps — General Fund
DETAILED SCHEDULE OF BUDGETARY ACTIVITIES
For Fiscal Year 2012 Appropriations, Fiscal Year Ended September 30, 2012 (In Thousands)

	17 2012/2012 1105	17 2012/2012 1106	17 2012/2012 1107	17 2012/2012 1108	17 2012/2014 1109	Direct Appropriations
BUDGETARY RESOURCES						
Unobligated balance:						
1000 Unobligated balance brought forward, October 1						
Nonexpenditure transfers:						
1011 Unobligated balance transferred from other accounts	\$ 38,976	\$ 221,300	\$ -	\$ -	\$ -	\$ 260,276
Anticipated transfers and adjustments:						
1050 Unobligated balance, total	\$ 38,976	\$ 221,300	\$ -	\$ -	\$ -	\$ 260,276
Budget authority:						
Appropriations:						
Discretionary:						
1100 Appropriation	\$ 14,349,496	\$ 9,478,147	\$ 307,527	\$ 670,143	\$ 2,656,566	\$ 27,461,879
Nonexpenditure transfers:						
1120 Appropriations transferred to other accounts (-)	\$ (113,100)	\$ (4,400)	\$ (141)	\$ (11,589)	\$ -	\$ (129,230)
1121 Appropriations transferred from other accounts	\$ 23,000	\$ 468,970	\$ 340	\$ 14,348	\$ 100,000	\$ 606,658
Adjustments:						
1130 Appropriations permanently reduced (-)	\$ (55,722)	\$ (397,188)	\$ -	\$ (2,097)	\$ -	\$ (455,007)
1160 Appropriation (total)	\$ 14,203,674	\$ 9,545,529	\$ 307,726	\$ 670,805	\$ 2,756,566	\$ 27,484,300
Spending authority from offsetting collections:						
Discretionary:						
1700 Collected	\$ 26,793	\$ 291,791	\$ 2,287	\$ 3,460	\$ -	\$ 324,331
1701 Change in uncollected customer payments from Fed. sources (+ or -)	\$ (477)	\$ 67,068	\$ 306	\$ 123	\$ 10,968	\$ 77,988
1750 Spending authority from offsetting collections (total)	\$ 26,316	\$ 358,859	\$ 2,593	\$ 3,583	\$ 10,968	\$ 402,319
1900 Budget authority total (discretionary and mandatory)	\$ 14,229,990	\$ 9,904,388	\$ 310,319	\$ 674,388	\$ 2,767,534	\$ 27,886,619
1910 Total budgetary resources	\$ 14,268,966	\$ 10,125,688	\$ 310,319	\$ 674,388	\$ 2,767,534	\$ 28,146,895
STATUS OF BUDGETARY RESOURCES						
Obligations incurred:						
Direct:						
2001 Category A (by quarter)	\$ 14,157,007	\$ 9,740,404	\$ 307,179	\$ 658,311	\$ -	\$ 24,862,901
2002 Category B (by project)	\$ -	\$ -	\$ -	\$ -	\$ 1,305,205	\$ 1,305,205
2004 Direct obligations (total)	\$ 14,157,007	\$ 9,740,404	\$ 307,179	\$ 658,311	\$ 1,305,205	\$ 26,168,106
Reimbursable:						
2102 Category B (by project)	\$ 26,316	\$ 358,859	\$ 2,593	\$ 3,583	\$ 10,920	\$ 402,271
LUMP SUM	\$ 26,316	\$ 358,859	\$ 2,593	\$ 3,583	\$ 10,920	\$ 402,271
2104 Reimbursable obligations (total)	\$ 26,316	\$ 358,859	\$ 2,593	\$ 3,583	\$ 10,920	\$ 402,271
Unobligated balance						
Apportioned						
2201 Available in the current period	\$ 85,643	\$ 26,425	\$ 547	\$ 12,494	\$ 1,451,409	\$ 1,576,518
2490 Unobligated balance, end of year	\$ 85,643	\$ 26,425	\$ 547	\$ 12,494	\$ 1,451,409	\$ 1,576,518
2500 Total budgetary resources	\$ 14,268,966	\$ 10,125,688	\$ 310,319	\$ 674,388	\$ 2,767,534	\$ 28,146,895
CHANGE IN OBLIGATED BALANCE						
Unpaid obligations:						
3010 Obligations incurred, unexpired accounts	\$ 14,183,323	\$ 10,099,263	\$ 309,772	\$ 661,894	\$ 1,316,124	\$ 26,570,376
3020 Outlays (gross) (-)	\$ (13,778,762)	\$ (6,305,743)	\$ (165,113)	\$ (646,528)	\$ (277,085)	\$ (21,173,231)
Obligated balance, end of year (net):						
3050 Unpaid obligations, end of year	\$ 404,561	\$ 3,793,520	\$ 144,659	\$ 15,366	\$ 1,039,039	\$ 5,397,145
Uncollected payments:						
3070 Change in uncollected pymts, Fed sources, unexpired accounts (+ or -)	\$ 477	\$ (67,068)	\$ (306)	\$ (123)	\$ (10,968)	\$ (77,988)
Obligated balance, end of year (net):						
3090 Uncollected pymts, Fed sources, end of year (-)	\$ 477	\$ (67,068)	\$ (306)	\$ (123)	\$ (10,968)	\$ (77,988)
3200 Obligated balance, end of year	\$ 405,038	\$ 3,726,452	\$ 144,353	\$ 15,243	\$ 1,028,071	\$ 5,319,157
BUDGET AUTHORITY AND OUTLAYS, NET						
Discretionary:						
Gross budget authority and outlays:						
4000 Budget authority, gross	\$ 14,229,990	\$ 9,904,388	\$ 310,319	\$ 674,388	\$ 2,767,534	\$ 27,886,619
4010 Outlays from new discretionary authority	\$ 13,778,762	\$ 6,305,743	\$ 165,113	\$ 646,528	\$ 277,085	\$ 21,173,231
4020 Total outlays, gross	\$ 13,778,762	\$ 6,305,743	\$ 165,113	\$ 646,528	\$ 277,085	\$ 21,173,231
Offsets against gross budget authority and outlays:						
Offsetting collections (collected) from:						
4030 Federal sources (-)	\$ (15,611)	\$ (221,894)	\$ (2,287)	\$ (3,460)	\$ -	\$ (243,252)
4033 Non-Federal sources (-)	\$ (11,182)	\$ (69,897)	\$ -	\$ -	\$ -	\$ (81,079)
4040 Offsets against gross budget authority and outlays (total) (-)	\$ (26,793)	\$ (291,791)	\$ (2,287)	\$ (3,460)	\$ -	\$ (324,331)
Additional offsets against gross budget authority only:						
4050 Change in uncollected cust. pymts from Fed. sources (unexp) (+ or -)	\$ 477	\$ (67,068)	\$ (306)	\$ (123)	\$ (10,968)	\$ (77,988)
4060 Additional offsets against budget authority only (total)	\$ 477	\$ (67,068)	\$ (306)	\$ (123)	\$ (10,968)	\$ (77,988)
4070 Budget authority, net (discretionary)	\$ 14,203,674	\$ 9,545,529	\$ 307,726	\$ 670,805	\$ 2,756,566	\$ 27,484,300
4080 Outlays, net (discretionary)	\$ 13,751,969	\$ 6,013,952	\$ 162,826	\$ 643,068	\$ 277,085	\$ 20,848,900
Budget authority and outlays, net (total)						
4180 Budget authority, net (discretionary and mandatory)	\$ 14,203,674	\$ 9,545,529	\$ 307,726	\$ 670,805	\$ 2,756,566	\$ 27,484,300
4190 Outlays, net (discretionary and mandatory)	\$ 13,751,969	\$ 6,013,952	\$ 162,826	\$ 643,068	\$ 277,085	\$ 20,848,900

As reported on SF-133, Report on Budget Execution and Budgetary Resources

**Department of the Navy
United States Marine Corps — General Fund
DETAILED SCHEDULE OF BUDGETARY ACTIVITIES
For Fiscal Year 2012 Appropriations, Fiscal Year Ended September 30, 2012 (In Thousands)**

	17 2012/2012 0735	17 2012/2013 1319	17 2012/2014 1508	Shared Appropriations	Audit Adjustments	Adjusted Totals
BUDGETARY RESOURCES						
Unobligated balance:						
1000 Unobligated balance brought forward, October 1						
Nonexpenditure transfers:						
1011 Unobligated balance transferred from other accounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,276
Anticipated transfers and adjustments:						
1050 Unobligated balance, total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,276
Budget authority:						
Appropriations:						
Discretionary:						
1100 Appropriation	\$ 27,459	\$ 781,732	\$ 462,286	\$ 1,271,477		\$ 28,733,356
Nonexpenditure transfers:						
1120 Appropriations transferred to other accounts (-)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (129,230)
1121 Appropriations transferred from other accounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 606,658
Adjustments:						
1130 Appropriations permanently reduced (-)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (455,007)
1160 Appropriation (total)	\$ 27,459	\$ 781,732	\$ 462,286	\$ 1,271,477		\$ 28,755,777
Spending authority from offsetting collections:						
Discretionary:						
1700 Collected	\$ 846	\$ 9	\$ 3,953	\$ 4,808	\$ (19,368)	\$ 309,771
1701 Change in uncollected customer payments from Fed. sources (+or -)	\$ -	\$ 5	\$ 1,147	\$ 1,152		\$ 79,140
1750 Spending authority from offsetting collections (total)	\$ 846	\$ 14	\$ 5,100	\$ 5,960	\$ (19,368)	\$ 388,911
1900 Budget authority total (discretionary and mandatory)	\$ 28,305	\$ 781,746	\$ 467,386	\$ 1,277,437	\$ (19,368)	\$ 29,144,688
1910 Total budgetary resources	\$ 28,305	\$ 781,746	\$ 467,386	\$ 1,277,437	\$ (19,368)	\$ 29,404,964
STATUS OF BUDGETARY RESOURCES						
Obligations incurred:						
Direct:						
2001 Category A (by quarter)	\$ 27,117	\$ -	\$ -	\$ 27,117	\$ (50,958)	\$ 24,839,060
2002 Category B (by project)	\$ -	\$ 577,640	\$ 352,575	\$ 930,215		\$ 2,235,420
2004 Direct obligations (total)	\$ 27,117	\$ 577,640	\$ 352,575	\$ 957,332	\$ (50,958)	\$ 27,074,480
Reimbursable:						
2102 Category B (by project)	\$ 844	\$ 7	\$ 4,115	\$ 4,966		\$ 407,237
LUMP SUM	\$ 844	\$ 7	\$ 4,115	\$ 4,966		\$ 407,237
2104 Reimbursable obligations (total)	\$ 844	\$ 7	\$ 4,115	\$ 4,966		\$ 407,237
Unobligated balance						
Apportioned						
2201 Available in the current period	\$ 344	\$ 204,099	\$ 110,696	\$ 315,139	\$ 31,590	\$ 1,923,247
2490 Unobligated balance, end of year	\$ 344	\$ 204,099	\$ 110,696	\$ 315,139	\$ 31,590	\$ 1,923,247
2500 Total budgetary resources	\$ 28,305	\$ 781,746	\$ 467,386	\$ 1,277,437	\$ (19,368)	\$ 29,404,964
CHANGE IN OBLIGATED BALANCE						
Unpaid obligations:						
3010 Obligations incurred, unexpired accounts	\$ 27,961	\$ 577,647	\$ 356,691	\$ 962,299	\$ (50,958)	\$ 27,481,717
3020 Outlays (gross) (-)	\$ (18,650)	\$ (221,090)	\$ (29,517)	\$ (269,257)	\$ 9,211	\$ (21,433,277)
Obligated balance, end of year (net):						
3050 Unpaid obligations, end of year	\$ 9,311	\$ 356,557	\$ 327,174	\$ 693,042	\$ (41,747)	\$ 6,048,440
Uncollected payments:						
3070 Change in uncollected pymts, Fed sources, unexpired accounts (+ or -)	\$ -	\$ (5)	\$ (1,147)	\$ (1,152)		\$ (79,140)
Obligated balance, end of year (net):						
3090 Uncollected pymts, Fed sources, end of year (-)	\$ -	\$ (5)	\$ (1,147)	\$ (1,152)		\$ (79,140)
3200 Obligated balance, end of year	\$ 9,311	\$ 356,552	\$ 326,027	\$ 691,890	\$ (41,747)	\$ 5,969,300
BUDGET AUTHORITY AND OUTLAYS, NET						
Discretionary:						
Gross budget authority and outlays:						
4000 Budget authority, gross	\$ 28,305	\$ 781,746	\$ 467,386	\$ 1,277,437	\$ (19,368)	\$ 29,144,688
4010 Outlays from new discretionary authority	\$ 18,650	\$ 221,090	\$ 29,517	\$ 269,257	\$ (9,211)	\$ 21,433,277
4020 Total outlays, gross	\$ 18,650	\$ 221,090	\$ 29,517	\$ 269,257	\$ (9,211)	\$ 21,433,277
Offsets against gross budget authority and outlays:						
Offsetting collections (collected) from:						
4030 Federal sources (-)	\$ -	\$ (9)	\$ (2,995)	\$ (3,004)	\$ 19,368	\$ (226,888)
4033 Non-Federal sources (-)	\$ (846)	\$ -	\$ (958)	\$ (1,804)		\$ (82,883)
4040 Offsets against gross budget authority and outlays (total) (-)	\$ (846)	\$ (9)	\$ (3,953)	\$ (4,808)	\$ 19,368	\$ (309,771)
Additional offsets against gross budget authority only:						
4050 Change in uncollected cust. pmts from Fed. sources (unexp) (+ or -)	\$ -	\$ (5)	\$ (1,147)	\$ (1,152)		\$ (79,140)
4060 Additional offsets against budget authority only (total)	\$ -	\$ (5)	\$ (1,147)	\$ (1,152)		\$ (79,140)
4070 Budget authority, net (discretionary)	\$ 27,459	\$ 781,732	\$ 462,286	\$ 1,271,477		\$ 28,755,777
4080 Outlays, net (discretionary)	\$ 17,804	\$ 221,081	\$ 25,564	\$ 264,449	\$ (10,157)	\$ 21,123,506
Budget authority and outlays, net (total)						
4180 Budget authority, net (discretionary and mandatory)	\$ 27,459	\$ 781,732	\$ 462,286	\$ 1,271,477		\$ 28,755,777
4190 Outlays, net (discretionary and mandatory)	\$ 17,804	\$ 221,081	\$ 25,564	\$ 264,449	\$ (10,157)	\$ 21,123,506

As reported on SF-133, Report on Budget Execution and Budgetary Resources

Independent Auditor's Report



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

December 20, 2013

MEMORANDUM FOR ASSISTANT DEPUTY COMMANDANT FOR PROGRAMS AND
RESOURCES, UNITED STATES MARINE CORPS

SUBJECT: Independent Auditor's Report on the United States Marine Corps
Schedule of Current Year Budgetary Activity for FY 2012
(Report No. DODIG-2014-028)

Audit Report on the Schedule

The United States Marine Corps prepared a Schedule of Current Year Budgetary Activity for FY 2012 (the Schedule) to include all information related to appropriations (including shared appropriations) beginning with the FY 2012 year, following the guidance in Office of Management and Budget (OMB) Circular No. A-11, "Preparation, Submission, and Execution of the Budget," (August 2011) for preparation of the SF 133 (Report on Budget Execution and Budgetary Resources).

The Department of the Navy (DON) requested that the DoD Office of Inspector General (DoD OIG) audit the Marine Corps Schedule of Current Year Budgetary Activity for FY 2012 in accordance with Statements on Auditing Standard (SAS) 62, "Special Reports," (American Institute of Certified Public Accountants [AICPA] Codification of Statements on Auditing Standard (AU) Section 623, "Special Reports"), and generally accepted government auditing standards (GAGAS) (December 2011).

Our audit objective was to determine whether the financial information reported on the Schedule of Current Year Budgetary Activity for FY 2012 is presented fairly, in all material respects, and in conformity with generally accepted accounting principles in the United States of America. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. It also included assessing the accounting principles used and significant estimates made

by management, as well as an evaluation of the overall Schedule presentation and assessing the internal control over financial reporting and compliance with laws and regulations. In addition to our opinion on the Schedule, we are including the Report on Internal Control and Compliance with Laws and Regulations. The Report on Internal Control and Compliance with Laws and Regulations is an integral part of our opinion on the Schedule and should be considered in assessing the results of our work.

Opinion on the Schedule

In our opinion, the Schedule presents fairly, in all material respects the FY 2012 current-year budgetary activity of the United States Marine Corps as of September 30, 2012.

Matters of Emphasis

Schedule of Budgetary Activity. The Statement of Budgetary Resources (SBR) is a compilation of an agency's SF-133s and provides information about how budgetary resources were made available, as well as their status at the end of the period for all unexpired and expired appropriations. The Schedule presents less financial information than an SBR. Specifically, the Schedule only presents all information related to appropriations (including shared appropriations) beginning with the FY 2012 year. In June 2012, the Assistant Secretary of the Navy (Financial Management and Comptroller) provided an assertion letter stating that the FY 2012 Schedule of Budgetary Activity was ready for audit. As a result, we completed an audit of the Schedule instead of a full-scope audit of the SBR for FY 2012.

Transportation of Things Estimate. Transportation of Things includes transportation account code standard document numbers within the Marine Corps accounting system. The Marine Corps did not have sufficient documentation available to support its multiple obligation processes for the Transportation of Things transactions. Additionally, the Marine Corps was unable to match the liquidations with its corresponding obligations. Based on information we obtained during the FY 2013 Schedule audit, we determined that prior audit conclusions may have been wholly or partially incorrect. DoD OIG performed supplemental audit work

through November 2013. During this time, the Marine Corps developed a revised estimate and provided additional historical data to support this estimate. As a result, we concluded that the estimated balance was reasonable as of September 30, 2012.

Proprietary General Ledger Accounts. During the course of the audit, we identified transactions that were not correctly recorded in the underlying general ledger accounts. These misstatements did not have an effect on the fair presentation of the Schedule because the underlying general ledger accounts were reported on the same line of the Schedule, and the proprietary general ledger accounts were appropriately excluded from the Schedule of Budgetary Activity. However, future audits of the full Statement of Budgetary Resources or the other financial statements, such as the Balance Sheet, could be adversely affected by these errors.

Sustainment. Completing the audit of the Schedule was a significant challenge. Throughout the audit, the Marine Corps did not always provide timely, relevant, and sufficient audit supporting documentation. The Marine Corps also did not adequately document some processes it used to support its financial transactions, such as the Transportation of Things business processes. In these instances, either additional audit procedures were performed, or the same transactions were reviewed repeatedly to assess the adequacy of the supporting documentation. The Marine Corps may have problems sustaining the auditability of its Schedule and future financial statements if it does not address and correct these inadequate processes that cause delay and require significant effort to support reported balances. Future audits of Marine Corps SBAs or audits of complete financial statements will be facilitated by more complete and timely documentation to support transactions that will be tested. These challenges were reported to the Marine Corps through the use of Notices of Findings and Recommendation and, where appropriate, are reported in the Report on Internal Control and Compliance with Laws and Regulations.

Summary of Internal Control

In planning our work, we considered internal control over financial reporting to determine our procedures for auditing the Schedule of Current Year Budgetary Activity for FY 2012 and to comply with OMB guidance. Our purpose was not to

express an opinion. Accordingly, we do not express an opinion on internal control over financial reporting. The internal control audit work that we conducted would not necessarily disclose all significant deficiencies. Attachment 1 identifies significant deficiencies, all of which we consider to be material internal control weaknesses.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Summary of Compliance With Laws and Regulations

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and accordingly, we do not express such an opinion. In FY 2012, the Marine Corps asserted to us that its financial management systems did not comply substantially with Federal financial management system requirements, generally accepted accounting principles in the United States of America, and the U.S. Government Standard General Ledger (USSGL) at the transaction level, as required by the Federal Financial Management Improvement Act of 1996 (FFMIA). Our audit work determined that the Marine Corps' internal controls over financial reporting did not meet the requirements set forth in FFMIA because of uncorrected internal control deficiencies. See Attachment 1 for additional details on compliance with laws and regulations.

Management Responsibilities

Management is responsible for implementing and maintaining effective internal control to include providing reasonable assurance that Marine Corps personnel accumulated, recorded, and reported accounting data properly; met the requirements of applicable laws and regulations; and safeguarded assets against misappropriation and abuse.

Agency Comments and Our Evaluation

We provided a draft of this report to the Assistant Deputy Commandant, Programs and Resources, (Resources), Fiscal Director. She acknowledged the material weaknesses and expressed the Marine Corps' continuing commitment to addressing

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the problems this report outlines. Management's comments required no changes to the report. See Attachment 2 for the full text of the management comments. This report is intended solely for the information and use of Marine Corps management, DoD OIG, OMB, the Government Accountability Office, and Congress, and is not intended to be used, and should not be used, by anyone other than these specified parties.



Lorin T. Venable, CPA

Assistant Inspector General

Financial Management and Reporting

Attachments: As stated

Report on Internal Control and Compliance With Laws and Regulations

Internal Control

Management is responsible for implementing and maintaining effective internal control and for providing reasonable assurance that accounting data are accumulated, recorded, and reported properly; that the requirements of applicable laws and regulations are met; and that assets are safeguarded against misappropriation and abuse. Our purpose was not to express an opinion on internal control over financial reporting. Prior audits disclosed significant internal control deficiencies, all of which were considered material weaknesses. However, these audits would not necessarily disclose all significant internal control deficiencies.

Previously Identified Material Weaknesses

We previously identified material weaknesses that could adversely affect the Marine Corps' financial reporting. Marine Corps management has asserted that corrective actions from previously identified weaknesses are in process but has not asserted that the corrective actions have been completed. The Marine Corps disclosed material weaknesses in its FY 2012 Statement of Assurance. These material weaknesses, and additional potential material weaknesses, were included in its management representation. These four previously reported financial management deficiencies may cause inaccurate management information.

Financial Management Systems. The Marine Corps recognizes it is not compliant with FFMA requirements and has material weaknesses in information system controls based on the outstanding information technology-related audit findings resident within its accounting, financial management, and mixed-use systems environment.

Financial Management Oversight. The Marine Corps did not always provide timely, relevant, and sufficient audit supporting documentation. In addition, the trading partners associated with fully expended and liquidated Military Standard Requisitioning and Issue Procedures orders subsequently entered adjustments to the system to return funds to the Marine Corps for these orders. This caused

abnormal balances. In addition, manual recording errors caused abnormal balances. The fund's manager review process should have detected and corrected both issues. Also, journal vouchers were not recorded in accordance with Treasury financial management guidance.

Obligations Incurred, Unexpired Accounts. The Marine Corps recorded liquidations that occurred before the recording of an expense or account payable. Since the expense or accounts-payable entry was not recorded in advance of the liquidation, it created abnormal balances. The Marine Corps processed adjustments to eliminate the abnormal payable balance without supporting the adjustment amount.

The Marine Corps did not have sufficient internal controls to ensure the proper recording of contract-progress-payment transactions. For example, payments made by the Marine Corps were not always supported by the contract terms and supporting documentation. We were unable to determine if these payments should have been recorded as Undelivered Orders-Obligations, Prepaid/Advances or Delivered Orders-Obligations, Paid. However, there was no impact to the Schedule, because this information is reported on the same lines.

The Marine Corps also did not record accrued expenses against open obligations for goods and/or services that were delivered at fiscal year-end. In addition, the Marine Corps did not adequately monitor payments made under intragovernmental purchase agreements to determine the accuracy and validity of the payments for goods or services. Although new controls have been implemented, they are not occurring in a consistent and timely manner to detect or correct misstatements of expenses.

The Marine Corps does not monitor and reconcile temporary standard document numbers, which can result in overstated liquidations. The Marine Corps uses temporary standard document numbers to account for net payroll and withholding but uses permanent standard document numbers to account for gross payroll amounts. However, temporary standard document numbers have balances at the end of each month because the temporary standard document number net payroll transactions are not appropriately reversed.

The Marine Corps did not adequately review military payroll transactions. The general ledger has aged balances even though these balances are eligible for write-off. Additionally, some Service members received entitlements they did not qualify for, while other Service members did not receive entitlements they were qualified to receive.

Change in Uncollected Customer Payments from Federal Sources. The Marine Corps improperly recorded Marine Corps to Marine Corps reimbursable activity within the same appropriation.

Material Weaknesses Identified During FY 2012

We identified the following two significant deficiencies during our FY 2012 audit, both of which are material. These additional deficiencies (or weaknesses) are related to areas with previously reported weaknesses.

Financial Management Oversight (Reserve Payroll). The Marine Corps does not perform the reserve payroll monthly reconciliations at the detail transaction level. Additionally, the Marine Corps was unable to provide documentation that substantiated amounts on the Leave and Earnings Statement as well as the Pay Entry Base Date. Finally, the Marine Corps had errors in manual adjustments. These control deficiencies could result in improper payments to service members.

Change in Uncollected Customer Payments from Federal Sources. The Marine Corps improperly recognized revenue. The Marine Corps:

- posted collections prior to receiving cash;
- provided inadequate documentation to support earning a previously recorded advance; and
- recorded a collection that included an amount for future services.

Additionally, the Marine Corps improperly recorded certain collections as reductions of obligations. The Marine Corps personnel recorded a negative liquidation instead of a collection when it:

- lent an MRAP vehicle to a foreign government;
- overpaid Marines;

- paid the costs of telephone calls made by Marines for unofficial business; and
- reimbursed previously provided and paid-for utility and steam costs.

Compliance With Laws and Regulations

Management is responsible for compliance with existing laws and regulations related to financial reporting. Prior audits identified instances of noncompliance. Providing an opinion on compliance with laws and regulations was not an objective of our audit; accordingly, we do not express an opinion. However, the following instance of noncompliance was noted.

Federal Financial Management Improvement Act of 1996. FFMIA requires DoD to establish and maintain financial management systems that comply substantially with Federal financial management system requirements, applicable Federal accounting standards, and the USSGL at the transaction level. In FY 2012, the Marine Corps asserted that its financial management systems did not comply substantially with Federal financial management system requirements, accounting principles generally accepted in the United States of America, and the USSGL at the transaction level, as required by FFMIA.

Recommendations

This report does not include recommendations to correct the material weaknesses and instances of noncompliance with laws and regulations, because previous audit reports contained recommendations for corrective actions or because current audit projects will include appropriate recommendations.

United States Marine Corps Management Comments




DEPARTMENT OF THE NAVY
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IN REPLY REFER TO:
5200
P&R RFK
20 Dec 2013

From: Fiscal Director, United States Marine Corps
To: Deputy Inspector General for Auditing, Department of Defense

Subj: MANAGEMENT COMMENTS TO THE INDEPENDENT AUDITOR'S REPORT
ON THE UNITED STATES MARINE CORPS SCHEDULE OF CURRENT YEAR
BUDGETARY ACTIVITY FOR FISCAL YEAR 2012

1. The Marine Corps concurs with the Independent Auditor's Report on the United States Marine Corps Schedule of Current Year Budgetary Activity for FY 2012 and the Report on Internal Control and Compliance with Laws and Regulations.
2. The Marine Corps acknowledges the material weaknesses identified in the report and we have initiated corrective actions. Further, we remain committed to strengthening internal controls and enhancing our business processes. The Marine Corps will also continue to focus on the coordinated efforts to modernize financial management systems and improve the scope of its financial reporting process.
3. We look forward to working with the Department of Defense Inspector General's staff in future financial statement audits and related reviews.


ANN-CECILE M. MCDERMOTT
Assistant Deputy Commandant
Programs and Resources (Resources)/
Fiscal Director
United States Marine Corps

Attachment 2
Page 1 of 1





For More Information

**Fiscal Director of the Marine Corps
Headquarters, Marine Corps
Programs and Resources Department
<http://www.hqmc.marines.mil/pandr/>**

To request a copy of the financial report and independent auditor's report, file a Freedom of Information Act request with the United States Marine Corps. Information on how to file this request can be found at <http://www.hqmc.marines.mil/Agencies/USMCFIOA.aspx>.

