



DEPARTMENT OF THE NAVY  
HEADQUARTERS UNITED STATES MARINE CORPS  
3044 CATLIN AVENUE  
QUANTICO, VIRGINIA 22134-5103

IN REPLY REFER TO:  
1700  
MRF

FEB 03 2017

From: Commandant of the Marine Corps

Subj: LETTER OF INSTRUCTION (LOI) FOR MILITARY CLOTHING SALES STORES (MCSS) MILITARY CLOTHING MANAGEMENT FEE (MCMF) CALCULATION

Ref: (a) SECNAVINST 5401.2A, Establishment, Management, and Control of NAFIs and Financial Management of Supporting Resources  
(b) SECNAVINST 1700.12A, Operation of Morale, Welfare, and Recreation Activities  
(c) MCO 1700.27B Ch 1, Marine Corps Community Services Policy Manual  
(d) MCO 7010.19, Chapter 7

Encl: (1) MCMF Cognos Report and GENEX Example

1. Situation. The references provide the Director, Business and Support Services (MR) authority to issue policy on efficient and effective management of Nonappropriated Fund Instrumentalities. Reference (d) provides accounting procedures for the operation of Military Clothing Sales Stores (MCSS) by Marine Corps Exchange activities at designated installations. The current Military Clothing Management Fee (MCMF) calculation accounting procedures in reference (d) are complex and inconsistently applied at the installations. This LOI is intended to simplify and automate the MCMF calculation. The new process was developed by a project team consisting of MR and installation representatives.

2. Mission. To update the MCSS MCMF accounting procedures in reference (d) to ensure they are consistently applied and scalable to adjust for efficiencies gained through centralized inventory management efforts.

3. Execution

a. Commander's Intent and Concept of Operations

(1) Commander's Intent. Marine Corps bases and stations that operate an MCSS will begin to use the new simplified accounting procedure in this LOI with the start of APF FY17 (01 October 2016) to calculate the MCMF until an update to reference (d) is published.

(2) Concept of Operations

(a) MCSS sales will be tracked through the Retail Merchandise System (RMS) and not the Electronic Point of Sale System class/subclass transaction codes.

(b) The Public Voucher for Purchases and Services other than Personal (SF 1034) for NAVMC 604/604b reimbursement will be prepared no less than monthly to support base and station operational processes.

(c) The MCMF will be calculated based on (Military Clothing Net Sales x 25%) + Direct Expenses – Direct Income. The 25% rate was determined by conducting a five (5) year analysis of prorated labor, expense and support cost percentages. Upon the completion of APF FY17 1<sup>st</sup> Quarter, analysis will

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(MCSS) MANAGEMENT FEE CALCULATION

be conducted to determine if the 25% rate is appropriate. If it is determined the rate needs to be adjusted, a new rate will go into effect at the start of NAF FY17.

(d) The MCMF will be calculated using the Cognos report that was developed for each installation. The Cognos report provides the management fee amount and the GENEX to be used for recording the accounting entries in the Marine Corps Community Services (MCCS) Financial Management System (FMS). The enclosure provides a sample of the Cognos report and GENEX.

1. In order for the Cognos report to properly calculate the MCMF, only the expenses and income identified in paragraph 3.b.(4)(b) below may be recorded directly to the Military Clothing cost center. All other expenses and income must be recorded to the MCCS collocated cost center. If any expenses or income are being recorded incorrectly, the installation Finance Office must make an accounting entry to move the improperly recorded expenses or income prior to running the Cognos report.

2. The MCMF calculation no longer requires Military Clothing sales to be adjusted to reflect a gross profit margin comparable to the collocated activity. Additionally, the proration of support expenses is no longer part of the calculation since the 25% flat rate takes into consideration previously prorated labor, expenses and support costs.

3. The MCCS activity will prepare a monthly MCMF reimbursement invoice to be submitted to the installation Comptroller for payment. Include the Cognos report with the reimbursement invoice.

4. The GENEX produced with the Cognos report assumes funding has not been received and therefore is recording a receivable (XXX-0000-01-1207-000-MFE). If MCCS has already received the funding, this line of accounting will need to be edited to reflect the appropriate unearned line of accounting prior to the GENEX being posted.

b. Subordinate Element Missions

(1) Financial Management, CMC (MRF) will:

- (a) Advocate for appropriated fund requirements associated with the operation of MCSS.
- (b) Communicate with Regional and Installation Commanders and MCCS Directors regarding the availability of funds as realignments occur and funds are executed.
- (c) Periodically review and validate MCSS and MCMF calculations and accounting entries for compliance with established procedures.
- (d) Modify MCSS Management Fee Cognos reports when notified by Business Operations of a change to the percentage applied or changes to collocated sites.

(2) Business Operations, CMC (MRX) will: Advise MRF when efficiencies from centralized buying efforts require an adjustment to the percentage applied in the MCMF calculation.

(3) Regional and Installation Commanders will: Communicate changes and ensure that installations accurately record MCSS operations and calculate the MCMF in accordance with this LOI.

(4) MCCS Directors/Program Managers will:

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- (a) Accurately record MCSS operations and calculate the MCMF in accordance with this LOI.
- (b) Ensure that only the expenses and income listed below are recorded directly to the Military Clothing cost centers. In some instances, changes may need to be made to the Human Resource Management System (HRMS) to ensure labor is being properly recorded.

GLAC 6501	DSCP Gratuitous Clothing Alterations
GLAC 6502	DSCP Renovated Recovered Clothing
GLAC 6503	DSCP Accessorial/Service Charges
GLAC 6504	DSCP Defective Clothing/Nonrecoverable
GLAC 6505	DSCP Short/Damaged Clothing
GLAC 6506	DSCP Uncollectible Accounts
GLAC 6507	DSCP Investment Loss
GLAC 6508	DSCP Inventory Shortages
GLAC 6705	Freight
GLAC 6713	Cash Over/Short
GLAC 8402	DSCP Retail Loss Allowance
GLAC 8404	DSCP Recovered Military Clothing
GLAC 8406	DSCP Other Income

(c) Notify MRF of any changes to collocated site(s) cost centers to ensure the Cognos report remains accurate. All changes should be emailed to [fmmsgladmin@usmc-mccs.org](mailto:fmmsgladmin@usmc-mccs.org).

4. Administration and Logistics. This LOI remains in effect until revised by MR or an update is issued to reference (d). Forward any recommended changes to this document to Ms. Pyper Brenner, Treasurer, HQMC (MR) [brennerpj@usmc-mccs.org](mailto:brennerpj@usmc-mccs.org), DSN 278-3857.

5. Command and Signal

a. Command. This LOI is applicable to commanders and staff responsible for the operation of MCSS activities aboard Marine Corps bases and stations.

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



CINDY WHITMAN LACY  
Director  
Business and Support  
Services Division

Distribution:  
COMMARFORCOM  
CG MCCDC  
CG TECOM

MCCS MCICOM  
MCCS MCIEAST, MCB Lejeune  
MCCS MCIWEST, MCB Pendleton

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COMMCICOM  
CG MCIPAC  
CG MCIWEST  
CG MCIEAST  
CG MCRD/WRR  
CG MCAGCC  
CG MCRD/ERR  
CO MCINCR\MCB Quantico  
CO Camp Allen  
CO H&S BN HQMC  
CO MARBKS 8TH & I  
CO MCAS Beaufort  
CO MCAS Cherry Point  
CO MCAS Iwakuni  
CO MCAS Miramar  
CO MCAS New River  
CO MCAS Yuma  
CO MCB Hawaii  
CO MCLB Albany  
CO MCLB Barstow

MCCS MCIPAC, MCB Butler  
AC/S MCCS MCRD/WRR  
AC/S MCCS MCAGCC  
MCCS Dir Camp Allen  
MCCS Dir HQBN HH  
MCCS Dir MARBKS 8th & I  
MCCS Dir MARFORCOM  
MCCS Dir MARFORPAC  
MCCS Dir MARFORRES  
MCCS Dir MCAS Cherry Point  
MCCS Dir MCAS Iwakuni  
MCCS Dir MCAS Miramar  
MCCS Dir MCAS Yuma  
MCCS Dir MCB Camp Lejeune, New River  
MCCS Dir MCB Camp Pendleton, Barstow  
MCCS Dir MCB Hawaii  
MCCS Dir MCB Quantico  
MCCS Dir MCLB Albany  
MCCS Dir South Carolina

**Cognos report requirements / layout**

Select FY and PD

Select CMD

Select Collocated ORGs that you want to calculate MNMGT FEE for

**Example**

TWM

**MC ORGs attached to Collocated ORG within Cognos**

TWM-1011-01

0010-01, 0040-01, 0050-01

TWM-1058-07

0010-02

TWM-1058-79

0010-78, 0040-79

TWM-0003-01

TWM-0098-01

**OUTPUT**

**TWM-1011-01**

NET SALES GLACs 4101-4999

Multiply Net Sales by 25%

DIRECT EXPENSES GLACs 6501-6508 + 6705 & 6713

DIRECT INCOME GLACs 8402-8406

25% NET SALES PLUS EXPENSES MINUS INCOME = MANAGEMENT FEE

**TWM-1058-07**

NET SALES GLACs 4101-4999

Multiply Net Sales by 25%

DIRECT EXPENSES GLACs 6501-6508 + 6705 & 6713

DIRECT INCOME GLACs 8402-8406

25% NET SALES PLUS EXPENSES MINUS INCOME = MANAGEMENT FEE

**TWM-1058-79**

NET SALES GLACs 4101-4999

Multiply Net Sales by 25%

DIRECT EXPENSES GLACs 6501-6508 + 6705 & 6713

DIRECT INCOME GLACs 8402-8406

25% NET SALES PLUS EXPENSES MINUS INCOME = MANAGEMENT FEE

DIRECT LABOR & EXPENSES EXPENSES GLACs 6101-6499 & 6601-6999

DIRECT EXPENSES GLACs 6501-6508 + 6705 & 6713

DIRECT INCOME GLACs 8000-8999 Excluding 8401

**Total Management Fee**

**Period Activity**

TWM-0010-01	TWM-0040-01	TWM-0050-01	
1,077,209.08	87,684.66		-
269,302.27	21,921.17		-
83,462.52	22,933.31		-
-	-		-
<b>352,764.79</b>	<b>44,854.48</b>		-

**TWM-0010-02**

37,481.49			
9,370.37			
712.20			
-			
<b>10,082.57</b>	-		-

**TWM-0010-79 TWM-0040-79**

36,214.89	4,917.64		
9,053.72	1,229.41		
(501.97)	568.38		
-	-		
<b>8,551.75</b>	<b>1,797.79</b>		-

**TWM-0003-01 TWM-0098-01**

195,291.86	-		
(3,535.09)	-		
-	-		
<b>191,756.77</b>	-		-
<b>609,808.15</b>			

**GENEX**

**25% Portion of Entry**

TWM-0010-01-6720-000-MFE	269,302.27		Collocated Expense Reclass
TWM-0040-01-6720-000-MFE	21,921.17		Collocated Expense Reclass
TWM-0050-01-6720-000-MFE	-		Collocated Expense Reclass
TWM-1011-01-8320-000-MFE		291,223.44	Collocated Expense Reclass
TWM-0010-02-6720-000-MFE	9,370.37		Collocated Expense Reclass
TWM-1058-07-8320-000-MFE		9,370.37	Collocated Expense Reclass
TWM-0010-79-6720-000-MFE	9,053.72		Collocated Expense Reclass
TWM-0040-79-6720-000-MFE	1,229.41		Collocated Expense Reclass
TWM-1058-79-8320-000-MFE		10,283.13	Collocated Expense Reclass
<b>TOTAL</b>	<b>310,876.94</b>	<b>310,876.94</b>	-

TWM-0010-01-8401-000-000	352,764.79	MC MGMT FEE	
TWM-0040-01-8401-000-000	44,854.48	MC MGMT FEE	
TWM-0050-01-8401-000-000	-	MC MGMT FEE	
TWM-0010-02-8401-000-000	10,082.57	MC MGMT FEE	
TWM-0010-79-8401-000-000	8,551.75	MC MGMT FEE	
TWM-0040-79-8401-000-000	1,797.79	MC MGMT FEE	
TWM-0003-01-8401-000-000	191,756.77	MC MGMT FEE	
TWM-0098-01-8401-000-000	-	MC MGMT FEE	
TWM-0000-01-1207-000-MFE	609,808.15	MC MGMT FEE	
<b>TOTAL</b>	<b>609,808.15</b>	<b>609,808.15</b>	-

**GRAND TOTAL OF ENTRY** 920,685.09 920,685.09 -