



DEPARTMENT OF THE NAVY

NAVAL MEDICAL RESEARCH CENTER DETACHMENT

LIMA, PERU

UNIT NUMBER 3800

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IN REPLY REFER TO

NMRCINST 5200.1D

30 Mar 2004

NMRC INSTRUCTION 5200.1D

From: Officer-in-Charge
To: Distribution List

Subj NAVAL MEDICAL RESEARCH CENTER DETACHMENT INTERNAL CONTROL PROGRAM

- (a) SECNAVINST 5200.35D
- (b) BUMEDINST 5200.13
- (c) NMRINST 5200.1 Series

Encl (1) NMRC Internal Control Program Handbook

1. Purpose. The purpose of this instruction is to promulgate the Internal Controls Program at the Naval Medical Research Center Detachment in accordance with references (a) through (c). The objectives of the Internal Control Program are as follows:

- a. Management and supervisory responsibilities and authority clearly stated and understood.
- b. Assets are safeguarded against waste, loss, unauthorized use, and misappropriation, and are managed effectively and economically.
- c. Accounts, records, and reports are reliable and accurate
- d. Obligations and costs comply with applicable law.
- e. Transactions are executed in accordance with current law regulations and policy.
- f. Internal control systems emphasize prevention of mismanagement and correction of specific and systemic weaknesses

2. Cancellation NAMRIDINST 5200.1C

3. Background. Reference (a) tasks the Officer-in-Charge with formulating an Internal Controls Program to ensure strict protection against waste, fraud and abuse. The areas to be safeguarded are not limited to potential monetary losses, but equipment procurement, upkeep and disposal, contract services, personnel practices, occupational health, training and education, disciplines, facilities management and research among others. Through establishment of a comprehensive Internals Controls

program, this goal may be reached

4. Responsibility. The Internal Controls Officer is designated as the Program Manager. All Department heads are responsible for the conduct of the Internal Controls Program within their respective areas. The Department heads or their designates will in turn be responsible for the reporting of Internal Controls assessments to the Internal Controls Officer. In accordance with references (a) through (c), individual performance in the development, implementation and/or maintenance of Internal Controls will be a part of performance evaluations (both civilian and military).

5. Action. Each Division and Department will conduct at least one separate vulnerability assessment per quarter. The vulnerability assessments will be conducted on areas from the Inventory of Assessable Units contained in enclosure (1), and be on areas known or felt to be highly vulnerable. The person conducting the vulnerability assessment will include a brief statement of justification for their choice of unit to assess. The NMRCD Internal Control Handbook provides information necessary to carry out this function. Management Controls Reviews will be conducted when deemed necessary by the Division or Department Head, or under the direction of the Internal Controls Officer. The NMRCD Internal Controls Handbook provides the necessary guidance.

6. Compliance. Failure to comply with the provisions of reference (a) and enclosure (1) may result in the initiation of punitive administrative action.



P. J. BLAIR
Acting

NMRCD
INTERNAL CONTROLS
HANDBOOK

Enclosure (1)

TABLE OF CONTENTS

SECTION

- I Definitions
 - II Inventory of Assessable Units at NAMRID
 - III Conducting Internal Control Evaluations
-

DEFINITIONS IN INTERNAL CONTROLS

1. Assessable Unit. Any organizational, programmatic, functional or other appropriate entity capable of being evaluated by internal control procedures.
2. Event Cycle. A series of related processes, steps, events, etc., involved in execution of an activity program or function devoted to achieving the mission or objectives of an assessable unit. For example, the event cycle within an activity publishing directives would include gathering information, writing a draft, transcribing, editing, circulating for comments, revising, transcribing in final, publishing, distributing and updating.
3. General Control Environment. The environment in which an event cycle operates. Various environmental factors that can influence the effectiveness or internal controls over organization, programs and functions, i.e., management attitude, organization structure, delegation of authority and responsibility, policies and procedures, budgeting and reporting practices, organizational checks and balances and Automatic Data Processing consideration.
4. Functional Areas. An organizational entity that explains a particular kind of work people performs and comprises one or more offices.
5. Inherent Risk. The built-in potential for waste, loss misappropriation or unauthorized use or disposition due to the nature of an activity, process or function.
6. Internal Control. The plan of organization and all of the methods and measures adopted by management to safeguard its assets, assure the accuracy and reliability of its information, assure adherence to applicable law, regulation and policy, and promote efficiency and economy within an activity.
7. Internal Control System. The sum of the methods and measures used to achieve the objectives of internal control. It is not a system separate from management, but an integral part of the basic management methods used to operate programs and functions within an activity.
8. Internal Control Program. The formal effort of an organization to ensure that internal control systems are in

place and working effectively through assignment of assets, issuance and implementation of guidance, the conduct of review, documentation of deficiencies, development of a plan of action for correction of deficiencies and use of effective follow-up procedures. The Internal Control Program is applicable to all programs and functions performed in the execution of an activity's mission, or tasks assumed as a result of the execution of inter/intraservice support agreements, memoranda of agreement, or like documents.

9. Internal Control Documentation. Documentation includes written policies, organization charts, procedural write-ups, manuals, memoranda, flow charts, decision tables, completed questionnaires, software and related written materials used to describe the internal control methods and measures and to communicate responsibilities and authorities for operating such methods and measures. Documentation also serves as a reference for persons reviewing the internal control systems within an activity.

10. Management Control Review. A detailed examination of an assessable unit to determine whether adequate control measures exist and are being implemented properly to achieve the objectives of the internal Control Program. These reviews are performed by the managers responsible for the program of function under review.

11. Managers. Personnel with significant responsibilities; top-level supervisors down through operations supervisors of programs and functions where funds, property, and other assets must be safeguarded against waste, loss unauthorized use of misappropriation.

12. Significant (Materials) Weakness. A situation in which the designated procedures or degree of compliance does not provide reasonable assurance that the objectives of internal control are being achieved. A weakness is significant if the condition results in a relatively loss, errors or irregularities in relation to the assets being managed. To determine if a significant weakness exists, the following factors must be taken into consideration:

a. Substantial violations of program directives or poor management that could seriously affect program accomplishment

b. Requirements for policy changes that affect monetary or non-monetary benefits.

c. The position and degree of responsibility held by persons involved

d. The number of persons involved.

e. Significance in the aggregate.

f. The likely degree of impact upon unit readiness. security of morale.

g. The degree of notoriety likely to result.

h. Vulnerability to recurring problems

13. Systems Weakness. A situation in which the designated procedure has been followed and/or degree of compliance has been met, but fails to provide reasonable assurance that waste, loss, unauthorized use of misappropriation will not take place.

14. Quality Control. A system to monitor the accomplishment documentation and effectiveness of various tasks that up the internal control process.

15. Reasonable Assurance. Such assurance that would satisfy prudent individuals in the conduct of their own affairs, having in mind a comparison between benefits to be obtained and costs to be incurred in obtaining such benefits. To obtain reasonable assurance that controls are working in the most efficient and effective manner, an activity should accomplish the following:

a. Prepare Vulnerability Assessment on all assessable units. The assessments provide a level of confidence regarding reasonable assurance by a unit as high, medium or low in vulnerability to waste, loss unauthorized use or misappropriation of assets. Vulnerability Assessments do not necessarily test or identify weaknesses in controls and therefore provide a low level of confidence regarding reasonable assurance.

b. Perform Management Control Review on selected assess units to determine whether controls are operating as intended are effective. Through this process managers will be able to the operational effectiveness of controls that are most important or questionable and, thus, feel confident that an area will be effectively controlled. The reviews should be conducted based the results of the Vulnerability Assessments and management priorities.

c. Perform follow-up on recommendations resulting from Management Control Reviews to ensure corrective actions are taking and effective. A formal follow-up system should be established that tracks recommendations. Follow-up increases the likelihood or reasonable assurance by seeing the internal control weaknesses are corrected.

d. For those areas where no Management Control Reviews were performed, reasonable assurance should be gained by other action including establishing increased or improved monitoring procedures, developing and conducting training programs, issuing, clarifying instructions, modifying procedures or documents, and requesting and audit, inspection or review. An activity may substitute such actions for a Management Control Review provided they include actual testing of controls.

16. Vulnerability Assessment. A manager's evaluation of the level of susceptibility of an assessable unit to waste, loss, misappropriation, or unauthorized use of government assets, error in reports and information, illegal unethical act, and/or adverse or unfavorable public opinion.

17. Control Objectives. The desired goals on conditions providing reasonable assurance within an event cycle.

INVENTORY OF ASSESSABLE UNITS

FUNCTIONAL AREA

1. ADMINISTRATIVE SUPPORT

INTERNAL CONTROL SYSTEM
NAMES AND SYMBOLS
MEETINGS, CONFERENCES, CONVENTIONS
AND VISITS
HONORS AND CEREMONIES
LIBRARY
ENVIRONMENTAL PROTECTION
ACCIDENT PREVENTION
ACCIDENT INVESTIGATION AND REPORTING
OCCUPATIONAL SAFETY AND HEALTH
MAIL AND POSTAL AFFAIRS
CUSTOMS AND CONTRABAND
COURIER SERVICES
RECORDS MANAGEMENT
WORKLOAD /PERFORMANCE MEASUREMENT
AUDIOVISUAL
DIRECTIVES MANAGEMENT
PUBLICATIONS PRINTING
DUPLICATION AND REPRODUCTION
INTERNAL RELATIONS
PUBLIC AFFAIRS/INFORMATION
FREEDOM OF INFORMATION
HISTORICAL
CONGRESSIONAL AND LEGISLATIVE
AFFAIRS
SPACE REQUIREMENTS
DECORATIONS, MEDALS AND AWARDS
WORD PROCESSING CENTER
PASSPORT/VISA
CORRESPONDENCE CONTROL
REPORTS CONTROL

2. AUDIT

INTERNAL REVIEW
JAG MANUAL INVESTIGATIONS
NIS INVESTIGATIONS AUDITS
INSPECTIONS (IG)
SUPPLY MANAGEMENT INSPECTIONS
LIAISON
SCHEDULES
REPORTS
CONTRACT
FRAUD SURVEYS
HOTLINE
FOLLOW-UP (ON SITE AND TRACKING)

3 AUTOMATED DATA PROCESSING

RISK MANAGEMENT
SECURITY
CENTRAL DESIGN
REQUIREMENTS
SOFTWARE
STANDARDS
DATA ELEMENTS AND CODES
APPLICATION SUPPORT
ACQUISITION MANAGEMENT
EQUIPMENT INVENTORY
TAPE LIBRARY
ADP OPERATIONS
DATA TRANSMISSION
MAINTENANCE
TECHNICAL SERVICES
HARDWARE
SYSTEMS ANALYSIS
PROGRAMMING SERVICES
CONTINGENCY PLANNING

4. COMMUNICATIONS

AUTOVON
LEASED EQUIPMENT TERMINALS
LANDLINES
TEMPEST
MESSAGE HANDLING
TELEPHONE ABUSE

5 EDUCATION AND TRAINING

CIVILIAN
ENLISTED
OFFICER
VOLUNTARY EDUCATION
INTERSERVICE
FILMS, AIDS AND SPECIAL DEVICES
EQUIPMENT AND SYSTEMS TRAINING
PLANS AND REQUIREMENTS
MEDICAL
SECURITY
MAINTENANCE
ADP
COMMUNICATIONS
SUPPLY
FINANCIAL

6. FACILITIES AND/OR BASE MAINTENANCE

COMMUNITY FACILITIES
MEDICAL FACILITIES
RESEARCH AND DEVELOPMENT
FACILITIES
STORAGE FACILITIES
PARKING FACILITIES
COMMERCIAL ACTIVITIES PROGRAM
HOUSEKEEPING/CUSTODIAL SERVICES

7. FINANCIAL

BUDGET PREPARATION
BUDGET EXECUTION
BUDGET REPROGRAMMING
MILITARY PAY
CIVILIAN PAY
DISBURSING
TRAVEL VOUCHERS
PUBLIC FUNDS
APPROPRIATED FUND ACCOUNTING
ALLOTMENTS
COST ACCOUNTING
PROPERTY ACCOUNTING
NONAPPROPRIATED FUND ACCOUNTING
RS 1301 (a), 1517
OVERTIME
COMMERCIAL BILLS
UNLIQUIDATED OBLIGATIONS
ACDUTRA
TIMEKEEPING

8. INTELLIGENCE AND/OR SECURITY

IDENTIFICATION
CLASSIFIED MATERIAL
PERSONNEL
PHYSICAL SECURITY
MASTER-AT-ARMS
ACCESS CONTROL
CUSTOMS INSPECTIONS

9. LEGAL

LEGAL ASSISTANCE
PRETRIAL MATTERS
NONJUDICIAL PUNISHMENT
COURT-MARTIAL
REVIEWS AND APPEALS
CIVIL LAW
MILITARY LAW
SENTENCES

MILITARY GRIEVANCE PROCEDURES
JURISDICTIONS
CODIFICATIONS AND CITATIONS
CONFINEMENT
LITIGATION
CLAIMS

10. MAINTENANCE, REPAIR AND OVERHAUL

ELECTRICAL
AIR CONDITIONING
CALIBRATION
MATERIAL CONTROL
ENGINEERING SUPPORT
ELECTRIC PLANT
CONTRACT REPAIR
CANNIBALIZATION
MATERIAL HANDLING EQUIPMENT

11. MEDICAL

MEDICAL RECORDS
APPOINTMENTS
CREDENTIALING
PHYSICAL EXAMINATIONS
RESEARCH
PHARMACY
PREVENTIVE MEDICINE
EQUIPMENT AND SUPPLIES
OCCUPATIONAL HEALTH
INDUSTRIAL HYGIENE
ALCOHOL/SUBSTANCE ABUSE

12. PERSONNEL

LEAVE AND LIBERTY
PERSONNEL RECORDS
REENLISTMENTS AND EXTENSIONS
CLASSIFICATION AND DESIGNATION
ASSIGNMENT AND DISTRIBUTION
PROMOTION AND ADVANCEMENT
DUTIES AND WATCHES
PERFORMANCE AND CONDUCT
SEPARATIONS
RETIREMENT
RESERVES
MANPOWER/BILLET REQUIREMENTS
ALCOHOL ABUSE
EQUAL EMPLOYMENT OPPORTUNITY
DRUG ABUSE
DEATHS AND FUNERALS
STANDARDS OF CONDUCT

REDUCTION IN FORCE
INTERN PROGRAM
REEMPLOYMENT RIGHTS
UPWARD MOBILITY
PERFORMANCE APPRAISAL/FITNESS REPORT
SUGGESTION PROGRAM
FAIR LABOR STANDARD ACT
PERSONNEL RELATIONS
LABOR RELATIONS
EMPLOYEE ORGANIZATIONS AND
ACTIVITIES
GRIEVANCE SYSTEM
INJURY COMPENSATION
SENIOR EXECUTIVE SERVICE
MOBILIZATION

13. PROCUREMENT

IMPRESS FUNDS
SMALL PURCHASES
FORMAL ADVERTISING
PREAWARD SURVEYS
CONTRACT ADMINISTRATION
FIXED PRICE CONTRACTS
COST-TYPE CONTRACTS
GENERAL CONTRACTS
LABOR, TIME AND MATERIAL CONTRACT
SUBCONTRACTS
BONDS AND CLEARANCES
CONTRACTOR PERFORMANCE
DEFAULT
GOVERNMENT OWNED CONTRACTOR
OPERATED
INSPECTION AND ACCEPTANCE CLAIMS
PROTECT AND APPEALS
SMALL BUSINESS
LEASE AGREEMENTS
DELIVERY ORDERS
PLANNING AND ESTIMATING
CONTRACTING OFFICER AND CONTRACTING
OFFICER TECHNICAL REPRESENTATIVE
OPEN MARKET PROCUREMENT
SOLE SOURCE
BLANKET PURCHASE AGREEMENT
SOLICITATION/AWARDS
SERVICE CONTRACTS
MODIFICATIONS
CONTRACT REVIEW BOARD

14. PROPERTY MANAGEMENT
(INCLUDES PHYSICAL INVENTORY)

EQUIPMENT (CLASS 3)

INDUSTRIAL PRODUCTION EQUIPMENT
(CLASS 4)
MINOR PROPERTY
PROPERTY ACCOUNTING SYSTEMS
GOVERNMENT OWNED CONTRACTOR
OPERATED FACILITIES
OFFICE EQUIPMENT
GOVERNMENT FURNISHED MATERIAL
CAPITAL EQUIPMENT PROGRAM
MANAGEMENT
TOOL CONTROL
PROPERTY DISPOSAL
REQUIREMENT

15. RESEARCH

PLANS
PROGRAMS
PROJECTS
FUNDING
REPORTS
SUPPORT
TEST AND EVALUATION (GENERAL)
OPERATIONAL TEST AND EVALUATION
SCIENCE AND TECHNOLOGY
GOVERNMENT INDUSTRY DATA EXCHANGE
(GIDEP)
ENVIRONMENTAL

16. SUPPLY

UNIFORMS/CLOTHING
PROPERTY DISPOSAL
PRECIOUS METAL RECOVERY PROGRAM
CREDIT CARDS
HAZARDOUS MATERIAL
STORAGE
M-L-S-R PROGRAM

17. TRANSPORTATION

LEASING
RENTAL VEHICLES
VEHICLES UTILIZATION

NMRCD INTERNAL CONTROLS

1. Program Elements. The Internal Controls Program at the Naval Medical Research Center Detachment consists of the following program elements, which are defined in enclosure (2).

- a. Assessable Units
- b. Event Cycles
- c. General Control Environment
- d. Functional areas
- e. Inherent risk
- f. Management Control Reviews
- g. Managers
- h. Significant (material) weaknesses
- i. System weaknesses
- j. Quality control
- k. Reasonable assurance
- l. Vulnerability Assessments
- m. Control objective

2. NMRCD Internal Controls Basics. The overall functioning of NMRCD is broken down in Functional Areas, which are entities that explain a particular type of work being performed (e.g. Automated Data Processing). Personnel on NMRCD's staff are tasked with the overview of these Functional Areas throughout the detachment, and are designated as the managers of these areas. These functional areas are further divided into assessable units (e.g. Programming Services as a subdivision of Automated Data Processing). It is the evaluation of the assessable unit, which forms the basis for the Internal Control Program. The accomplishment of many of these functions span the boundaries of all Departments at NMRCD and therefore, and partially, under the auspices of the Department Heads. Other functions (e.g. personnel) fall solely under the control of the Administrative Department. Those functional areas, which are part of the functioning of multiple departments and divisions must be assessed accordingly (i.e. by the individual departments of divisions). For those areas under the control of one distinct area, one assessment will be required.

3 Vulnerability Assessment (VA)

a. The VA is a management evaluation of the level of susceptibility of an assessable unit to waste, loss, misappropriation or authorized use of government assets, errors in reports and information, illegal or unethical act, and/or adverse or unfavorable public opinion. The objective in performing VA's is to rate these assessable units as high, medium or low in vulnerability, based upon their susceptibility

to waste, loss, unauthorized use or misappropriation.

b. A VA is not intended to be a massive, time-consuming user of resources. Rather, it is a mechanism with which managers can determine the relative vulnerability in their assessable units, and then schedule Management Control Review (MCR'S) after giving consideration to such relevant factors as the rating of the vulnerability assessment, mission priorities, etc.

c. Each Division and Department shall be performed by activity heads or their managers. While staff organizations may participate in the assessment process, management judgement should produce the ratings. VA's shall not be performed by audit, internal review organizations or contractors.

4. Performance of VA's shall include the following steps:

a. Define the assessable unit. Segment the activity into organizational components down to the department or equivalent level. Then identify the major program or function responsibilities of each component. This procedure will provide an assessable unit of appropriate size to facilitate conducting meaningful VA's and MCR's. Alternately a function performed at various organization levels can be an assessable unit for MCR purposes. A partial list of assessable units by functional area is contained in enclosure (3).

b. Identify event cycles within each assessable unit. Event cycles are identified by establishing the beginning and ending points of all work conducted by the assessable unit. The number of event cycles depends upon the size of the assessable unit. At a minimum, there must be at least one event cycle in every assessable unit.

c. Evaluate the general control environment. The environment or work setting in which programs and function are conducted has a major impact on the effectiveness or internal controls. Factors which should be considered when evaluating the general control environment include management's attitude toward establishment and maintenance of internal controls; an organization's structure; the competence and integrity of personnel; appropriate delegation and limitation of authority and responsibility; extent of supervision adequacy of policies and procedures; the establishments and communication of goals and accomplishments; extent of organizational checks and balances such as controls, audits, reviews; and inspections and

awareness of strengths and weakness inherent in ADP systems. Attachment (a) will be used to analyze the general control environment.

d. Analyze the inherent risk. Risk involves the potential for loss of assets or the failure to obtain results. The presence of risk does not necessarily reflect badly on management, since each program or function has the potential for loss. Some programs or functions are more risky than others. To determine the inherent risk, management shall review the assessable unit for loss potential associated with purpose, policy characteristics of the work performed, budget adequacy, influence from outside the activity, age and life expectancy of assets, degree of centralized control, special concerns, prior review, and management responsiveness. Attachment B will be used in analyzing inherent risk.

e. Perform Preliminary Assessment of existing safeguards against risk based on experience, judgment and the general standards. Ascertain whether adequate controls are in place to minimize irregularities and to accomplish the activity's mission economically. A lengthy study is neither required nor desired. Attachment C will be used in evaluating existing safeguards.

f. Rate the assessable unit as high, medium or low in vulnerability based on all factors above. Identify specific point of concern. Making the overall rating involves a consideration of the inherent risk and safeguards. Attachment D is a form, which may be useful in assessing overall vulnerability.

5. Guidelines for completing Attachment A through D are as follows:

a. For Attachments A through C

(1) Check the appropriate column (0 through 3

(2) Indicate source document in "Ref" column for any agreement shown in column I;

(3) Scoring summary at the end of each attachment should contain the total of columns checked multiplied by the appropriate point volume listed on the attachment. Then obtain the average as indicate on the form.

b For Attachment D,

(1) Complete "score" elements 3a, b and c using the average scores calculated in Attachment A, Band C.

(2) Determine "vulnerability level" elements 4a, b and c by using Table B on the form to convert the numeric scores in elements 3a, b and c to either low, medium or high vulnerability.

(3) Calculate "score" element 3d by summing elements b, and c.

(4) Determine "vulnerability level" 4d using Table B on the form to convert the numeric score in 3d to either low medium or high vulnerability.

6. The process and results of VA's performed must be documented. The documentation shall provide a permanent record of the methods used to conduct the VA's, the personnel and their roles, the key factors considered and the conclusion. The documentation shall also used to evaluate the performance of individuals involved in the assessment. As a minimum, the documentation should include organization charts, mission and function statements, flow charts, and budget displays; directives or listings thereof; audit, inspection, review or investigation reports; and a key personnel list. These documents will be retained in the files of the organization unit performing the V.A. for 3 years and are subject to inspection.

7. These results of the vulnerability assessments (low-medium-high) and the score receive will be forwarded to the Internal Controls Officer upon completion via the departmental Internal Controls Representative.

MANAGEMENT CONTROL REVIEW

a. A Management Control Review is a detailed examination of an assessable unit to ensure internal controls exist, are in place documented and functioning as intended. These reviews should identify weak, nonexistent or excessive controls and initiate actions necessary to correct them.

b. The head of an activity shall conduct an MCR whenever there is cause for concern over the adequacy of internal controls in a assessable unit. This concern can be based on the results of VA's, audits, investigations, internal review, etc. As a minimum, MCR's shall be performed every two years on assessable units rated as high or medium in vulnerability. As

assessable unit rated as low by two consecutive VA's shall require a MCR must be conducted on each assessable unit at least once every six years. MCR's shall not be performed by auditors, internal review personnel or contractors.

c. Each level in the chain of command can direct additional MCR1s:

(1) Identify Event Cycles.

(2) Determine which event cycles are to be reviewed based on results of any VA conducted.

(3) Analyze the General Control Environment
Analysis of the general control environment performed for the vulnerability assessment can be referred to and updated.

(4) Document the Event Cycle. This is accomplished by interviewing the persons involved in the cycle, reviewing existing documentation, observing the program or function, and then preparing either a narrative explanation or a flow chart in sufficient detail to permit an in-depth analysis of the existence and adequacy of internal controls. It is advisable to review the completed documentation with the persons providing the information and, if necessary, track one or two transaction through the process.

(5) Evaluate the Internal Controls within the event cycles. Review the documentation and decide if the internal control system is sufficient to provide reasonable assurance against waste, loss, unauthorized use or misappropriation. The manner in which this done is to:

(a) Analyze the control objectives for the event cycle. If control objectives are achieved, the potential for the occurrence of waste, loss, unauthorized use or misappropriation is significantly decreased.

(b) The control objectives for an event cycle should be written. The documentation should be reviewed to determine whether the list of objectives for each event cycle is complete, logical, and relevant to the event cycle. If the control objectives are not adequately documented, such documentation should be developed and maintained as part of the overall documentation of internal control.

(c) The relationship between this, the prior task and the inherent risks in an event cycle cannot be overemphasized. Control objectives are established because a

risk of loss exists; internal control techniques are implemented to prevent the specific loss from occurring.

d. Test the Internal Controls. This may be done by selecting a sample of transactions and reviewing the documentation for those transactions, as well as making other observations and inquiries, and ascertaining whether the specified controls satisfactorily employed. Sometimes a specific control technique will appear to be inadequate for a given condition or will not be functioning properly. In those instances, the reviewer should evaluate whether personnel are compensating for the shortcoming with other safeguards, or whether compensating controls exist in interrelated systems not subject to review. The reviewer should complete this testing step by noting any necessary controls not functioning as intended or not compensated for, and determining how such shortcomings should be addressed, i.e., by instituting new controls, improving existing controls or accepting the risk associated with the shortcoming.

e. The process and results of MCR's performed must be documented. The documentation shall be maintained by the activity having responsibility for the assessable unit reviewed and shall provide a permanent record of the method used to conduct the MCR, the personnel and their role, the key factors considered, the conclusion reached and recommendation provided. The documentation shall also be used to evaluate the performance of individuals involved with the MCR. As a minimum, the documentation shall include an organization chart; mission and function statements; flow chart or narrative description of event cycles and controls budget exhibits; applicable directives or lists thereof; key employee list; copy of audit, inspection, or investigation reports, and copy of report on results of MCR, including plans for corrective actions and estimated completion dates. A copy of checklists in the DOD Self-Instructional Internal Control Course may also be used as supporting documentation.

6. Reporting Requirements

a. Vulnerability Assessments. Results of all V.A.'s conducted at NAMRID during the preceding 12 months will be forwarded to the Naval Medical Research and Development Command by 01 August of each year. This report will be in the format of Attachment E.

b. Management Control Reviews. Reports summarizing the results of MCR's will be prepared and submitted as enclosures

(1) through (4) to the Annual Internal Control Certificate Statement. Reports should identify material weaknesses and plans for corrective action(s), accomplishments, status of corrective actions and a summary of MCR's performed during reporting cycle. Units of the operating forces are exempted from reporting the results of MCR'S if reports, from other Inspection Programs such as the Command Inspection Program, indicate that the MCR's were conducted adequately. Refer to Attachments B through F to this enclosure for formats.

c. Semi-Annual Updated status Report. Each activity that identified a weakness and corresponding corrective action statement with expected milestone (completion) dates in their annual Internal Control Certification Statement will forward status in the format of Attachment F.

(1) On 1 April and 1 September of each year the status of the action to be taken or action status that has been taken and the date of completion.

(2) Immediately when a milestone cannot be met, providing reasons for slippage, new milestones and dates and detailed plans for meeting the new dates.

d. Annual Internal Control Certification Statement. Statement will be signed by the Officer-in-Charge and forwarded with required enclosures to Commanding Officer, Naval Medical Research Development Command on 01 August of each year. Attachment B is the format for the basic certification statement

(1) The statement will include evaluation and comment on results of MCR's submitted by subordinate commands.

(2) Information used to prepare the statement should be developed from any and all sources available to the command, including MCR's audits, inspections, investigations, internal review, studies, etc.

7. Responsibilities. The responsibilities for the conduct of the NMRCD Internal Controls Program are as follows:

a. Officer-in-Charge. The Officer-in-Charge has the overall responsibility and shall ensure that the Internal Controls Program at NMRCD is run in accordance with reference (a). In addition the Officer-in-Charge shall:

(1) Ensure that the Internal Controls Officer has been designated in writing.

(2) Ensure that the required reports are filed under his signature

b. The Internal Controls Officer. The Internal Controls Officer is designated as the program administrator, and shall:

(1) Ensure that all personnel functioning as managers understand and are able to utilize the provisions of this instruction and reference (a).

(2) Maintain reference materials to be used in the conduct of Internal Controls.

(3) Ensure that required reports and updates are properly filed.

(4) Maintain lists of the Vulnerability Assessments Conducted along with the vulnerability determination (High-Medium-Low) and the corresponding scores.

(5) Ensure that the information utilized in conducting the V. A. 's and M.C.R. 's is maintained within the unit conducting the V.A. or MCR.

(6) Ensure the required periodicity of VA's and MCR's is maintained

(7) Be available for consultation concerning the Internal Controls Program. The Internal Controls Officer will not conduct V.A.'s and MCR's for areas outside of his/her area of responsibility.

c. The Department head Departmental Representative. The Department Head Departmental Representative shall:

(1) Ensure that all required V.A.'s and MCR's are properly conducted within their respective department.

(2) Ensure that all results of V.A.'s and H.C.R.'s are promptly forwarded to the Internal Controls Officer, after review.

(3) Be a point of contact for the Internal Controls Officer within the department

d. Personnel Conducting VA's/MCR's. Personnel conducting VA's and MCR's shall:

(1) Be responsible for conducting the VA's and MCR's within their areas of responsibility.

(2) Ensure that information used to conduct VA's and MCR's retained and auditable.

(3) Forward the results of the VA's and MCR's through their respective departmental representatives to the Internal Controls Officers.

Agency Component:

Assessable Unit

PERSONNEL

1. Internal control factors are included in employees' performance standards.
2. Employees are periodically counseled on work performance
3. Employees receive training to upgrade their skills.
4. Employees are held accountable for their performance.
5. Employees annually are briefed on the Code of Conduct.
6. Employees have worked in the Unit an average of at least two years.
7. Position descriptions are reviewed and revised (as necessary) at least annually.
8. Employees' performance evaluations are completed timely.

DELEGATION/COMMUNICATION OF AUTHORITY/RESPONSIBILITY

1. Delegations of authority are written.
2. Employees are aware of delegations of authority.
3. Delegations prevent overlapping of duties and authority.
4. Authorities are sufficient to aid performance of the Unit responsibilities.

| NA 0 | AGREE 1 | UNCER- TAIN 2 | DIS- AGREE 3 | REF |
|---------|------------|---------------------|--------------------|-----|
| | | | | |

Agency Component:

Assessable Unit

MANAGEMENT ATTITUDE

1. Unit management is aware of the importance of internal controls as they relate to the Unit.

2. In the past year, management has communicated their concern about internal controls to employees in the Unit.

3. In the past year, management has reviewed internal controls to assure they were working.

4. Unit management holds regular staff meetings.

5. Management is receptive to suggestions for changes in operating procedures.

ORGANIZATIONAL STRUCTURE

1. The organizational chart is current

2. The organizational structure provides adequate separation of duties.

3. The organizational structure provides adequate supervision.

4. The Unit is held accountable for the results of its operations.

5. The Unit has the necessary authority to carry out its mission.

6. Responsibilities and authorities are defined in writing.

| NA | AGRE | UNCER- | DIS- | REF |
|----|------|--------|-------|-----|
| 0 | E | TAIN | AGREE | |
| | 1 | 2 | 3 | |

Agency Component:

Assessable Unit:

POLICIES & PROCEDURES

1. Policies and procedures are written.

2. Policies and procedures are reviewed and updated annually.

3. Employees have access to policies and procedures manuals.

4. Policies and procedures cover all aspects of the work carried out in the Unit.

BUDGETING & REPORTING

1. The budget process is coordinated with the planning process.

2. Plans and budgets are made available to employees.

3. Periodic reports are prepared, showing actual expenditures and accomplishments

4. Reports are timely and accurate.

5. Reports are composed with budget and planning estimates.

6. In the comparisons variances are analyzed and corrective actions initiated.

7. Reports are scanned by higher level management.

CHECKS & BALANCES

1. This unit is audited reviewed at least every three years.

2. Audits/reviews include an evaluation of internal controls.

| NA | AGREE | UNCER- | DIS- | REF |
|----|-------|--------|-------|-----|
| 0 | 1 | TAIN | AGREE | |
| | | 2 | 3 | |

Agency Component

Assessable Unit:

3. Findings/deficiencies are only minor in nature, and do not include any internal control weaknesses.

4. Contracts, cooperative agreements, and/or grants are periodically audited

ADP CONSIDERATIONS

1. Information submitted to a separate data processing unit is timely, correct, and authorized.

2. Controls prevent improper use and input to the system.

3. Systems controls are reviewed periodically.

4 Output reports are timely

5. Output reports are reviewed for correctness.

6. ADP equipment and programs are safeguarded.

OTHER FACTORS

1. There are no unique or unusual factor, which affect this Unit's operations.

| NA | AGREE | UNCER- | DIS- | REF |
|----|-------|--------|-------|-----|
| 0 | 1 | TAIN | AGREE | |
| | | 2 | 3 | |

Agency Component:

Assessable Unit:

| NA | AGREE | UNCER- | DIS- | REF |
|----|-------|--------|-------|-----|
| 0 | 1 | TAIN | AGREE | |
| | | 2 | 3 | |

PURPOSE/CHARACTERISTICS

1. Legislation and regulations applicable to this Unit are clear and concise.

2. This Unit's missions, goals, and objectives are clear and concise.

3. This Unit's operations involve a low degree of technical or administrative complexity

4. This Unit does not pass through funds to third parties for further actions.

5. This Unit does not approve applications or issue permits/licenses.

6. This Unit does not handle cash.

7. This Unit does not perform enforcement activities.

BUDGET LEVEL

1. This Unit involves collection of cash in the following dollar range.

2. This Unit's budget or fund disbursements are in the following dollar range.

3. This Unit controls property (except land) having a value in the following dollar range.

Agency Component:

Assessable Unit:

IMPACT OUTSIDE AGENCY

1. This Unit's operations have little interest to persons/groups outside the agency.
2. Few members of the public are impacted by changes in this Unit's operations.
3. Non-governmental organizations provide little or no products/services to this Unit.
4. This Unit's operations have little affect on the health or safety of persons outside the agency.

AGE/LIFE EXPECTANCY

1. This Unit has existed for more that two years.
2. This Unit has not had a reorganization in the past two years.
3. This Unit is not being phased out in the next two years.

DEGREE OF CENTRALIZATION

1. The degree of centralization is appropriate for the operations of this Unit.
2. Authority has been decentralized commensurate with responsibility

| NA | AGREE | UNCER- | DIS- | REF |
|----|-------|--------|-------|-----|
| 0 | 1 | TAIN | AGREE | |
| | | 2 | 3 | |

Agency Component:

Assessable Unit:

SPECIAL CONCERNS

1. This Unit has not been subject to special interest by the following (rate each separately):

President, Congress, OMB.

The Secretary

Litigation.

Media.

Legislative deadlines.

CSIMA Commander

PRIOR REVIEWS

1. This Unit has been audited/reviewed in the past two years.

2. No instances of fraud, waste, or other type loss have been uncovered during the past four years.

3. The reports on audits/reviews indicate that prior findings, weaknesses, or deficiencies have been resolved.

MANAGEMENT RESPONSIVENESS

1. Management timely evaluates audit/review reports and initiates corrective actions.

2. A tracking system is used to monitor unresolved audit/review findings.

3. A cost-benefit analysis is made on all proposed recommendations before implementation.

| NA | AGREE | UNCER- | DIS- | REF |
|----|-------|--------|-------|-----|
| 0 | 1 | TAIN | AGREE | |
| | | 2 | 3 | |

Assessable Unit

VULNERABILITY SCORE

| SCORING ELEMENT | SCORE SOURCE | SCORE | VULNERABILITY |
|--|-----------------------|------------|-----------------------|
| 1. General Control Environment | Attachment A, Page 5. | _____ a | _____ (Table Ab) a |
| 2. Inherent Risk | Attachment B, Page 5. | _____ b | _____ (Table Ab) b |
| 3. Preliminary Evaluation of Safeguard | Attachment C, Page 2. | _____ c | _____ (Table Ab) c |
| OVERALL VULNERABILITY ASSESSMENT | | _____ d | _____ (Table Ab) d |

| Table A | Table B |
|--------------------|--------------------|
| 1.00 to 1.25 = LO | 3.00 to 3.70 = LO |
| 1.26 TO 1.50 = Med | 3.71 to 4.40 = Med |
| Over 1.50 = HI | Over 4.40 = HI |

OTHER COMMENTS: _____

PREPARED BY: _____

DATE:

REVIEWED BY: _____

DATE

FORMAT FOR ACTIVITY VULNERABILITY ASSESSMENT REPORT

From: Activity (UIC _____)
To: Commanding Officer, Naval medical Research and Development
Command, Bethesda, Maryland 20814-5044

Subj: VULNERABILITY ASSESSMENTS CONDUCTED FOR THE INTERNAL
CONTROL PROGRAM DURING THE PERIOD _____

Ref: (a) OPNAVINST 5200.25A

1. In accordance with reference (a), the results of the vulnerability assessments for the Department of the Navy Internal Control Program are listed below:

2

| <u>Functional Area</u> | <u>Assessable Units</u> | <u>Ranking</u> | <u>Narrative for each assessable unit:</u> |
|------------------------|-------------------------|--|--|
| | | List H for High, M for medium, L for low | a. Address those aspects of the general control environment, inherent risk and preliminary assessment of existing Safeguards. b. Identify specific points of concern and/or potential problem areas. c. Supporting documentation should be retained at the activity level. |

3. Summary of results

FORMAT FOR REPORTING SIGNIFICANT OR SYSTEMIC WEAKNESSES AND PLANS FOR
CORRECTIVE ACTIONS

Submit a one-page summary for each weakness in the following format

1. Activity (UIC _____).
2. Functional area.
3. Assessable unit.
4. Title of the weaknesses.
5. The source(s) employed to identify this weakness.
 - a. MCR
 - b. Internal Review finding
 - c. Naval Audit Service finding
 - d. Inspector General finding
 - e. Naval Investigative Service Investigation
 - f. Judge Advocate General Manual Investigation
 - g. Other (Specify)
6. Origin of the material weakness, i.e., Command/Activity
7. Description of planned corrective action(s).
8. If action(s) complete, date(s) completed. If action(s) not complete, estimated date(s) for completion. If warranted, milestones/dates should be listed.

FORMAT OF BASIC CERTIFICATION STATEMENT

From: Activity (UIC _____)
To: Commanding Officer, Naval medical Research and Development
Command, Bethesda, Maryland 20814-5044
Subj: INTERNAL CONTROL CERTIFICATION STATEMENT FOR THE PERIOD

(a OPNAVINST 5200.25A

- (1) Material Weaknesses and Plans for Corrective Actions
- (2) Status of Corrective Actions
- (3) Internal Control Accomplishments
- (4) Schedule of Management Control Reviews

1. Our Internal Control Program has been evaluated in accordance with reference (a). The evaluation provides reasonable assurance that the objectives of the Internal Control Program were achieved with the exception of those weaknesses noted in enclosure (1), which also includes a plan of action for correcting the weaknesses.

2. Status of corrective actions to previously identified material weaknesses are submitted as enclosure (2).

3. Accomplishments of the Internal Control Program are described in enclosure (3).

4. Enclosure (4) is a summary of Management Control Reviews performed during the reporting period

5. Comments and recommendations for program improvement include the following:

(Brief explanation)

FORMAT FOR REPORTING STATUS OF CORRECTIVE ACTIONS

- 1 Activity (UIC _____)
- 2 Functional area
- 3 Assessable unit.
4. Title of weakness
5. Date reported on Annual Internal Control Certification Statement
(15 Mar or 15 Sep).
- 6 Previously reported estimated completion date.
- 7 Corrective actions taken or planned.
8. If action is not complete, submit revised completion date
9. Reasons why original milestone was slipped

FORMAT FOR REPORTING INTERNAL CONTROL ACCOMPLISHMENTS

1. Activity (UIC _)
2. Functional area

ASSESSABLE UNIT

ACCOMPLISHMENTS

Should include improvements in operations, corrections of prior year weaknesses and items such as training, command involvement, total number of VA's and MCR's completed.

Agency Component:

Assessable Unit:

SCORING SUMMARY

| | Number of Answers | Point Value | Score |
|-----------|----------------------|----------------|-------|
| Agree | x | 1 | |
| Uncertain | x | 2 | |
| Disagree | x | 3 | |
| | _____ | | _____ |
| | (1) | | (2) |
| Average: | (2) _____ | (1) _____ | |

Prepared by: _____

Date:

Reviewed by: _____

Date