



DEPARTMENT OF THE NAVY
COMMANDER MILITARY SEALIFT COMMAND
914 CHARLES MORRIS CT SE
WASHINGTON NAVY YARD DC 20398-5540

REFER TO:

COMSCINST 5200.9
N00I
12 August 2002

COMSC INSTRUCTION 5200.9

Subj: MANAGEMENT CONTROL PROGRAM

- Ref: (a) Federal Managers' Financial Integrity Act (FMFIA) of 1982 (31 U. S. Code 3512)
(b) Standards for Internal Control in the Federal Government, GAO/AIMD-00-21.3.1 (11/99)
(c) OMB Circular A-123 of 21 Jun 95 (NOTAL)
(d) SECNAVINST 5200.35D (NOTAL)
(e) OPNAVINST 5200.25C
(f) CNO ltr ser N09B21G/7U508446 of 15 Dec 97 (NOTAL)
(g) CNO Management Control Program Manual of 4 May 92
(h) COMSCINST 7510.1E
(i) COMSCINST 5040.2D
(j) OPNAVINST 3500.39A

- Encl: (1) Flowchart of the Management Control Program
(2) General Information – Management Control Program
(3) General Information – Management Control Program DOD Functional Categories
(4) General Information – Management Control Program Coordinator Duties and Responsibilities
(5) MSC Assessable Units/Work Processes Inventory
(6) Sample MSC Manager's FY03 Assessable Unit Plan
(7) Internal Control System Test and Manager Risk Assessment with Sample
(8) Operational Risk Management Assessment Sample
(9) Sample Flowchart – Voyage Charter Process
(10) Sample Activity Management Control Annual Assurance Statement
(11) Format for Reporting Material Weaknesses

1. Purpose. To provide revised Department of the Navy (DON) policy and guidance, and to assign responsibilities for the Management Control Program (MCP). This instruction promulgates completely new program guidance and must be read in its entirety.

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2. Information. The MCP provides a framework or basic assessment structure for Program Managers, Functional Directors, Special Assistants and Area Commanders to monitor performance of daily operations, safeguard resources, assess risk, evaluate effectiveness and support mission improvement. The MCP efforts help to establish a perpetual state of readiness for any type of oversight inspection or assessment including the requirements of the Department of the Navy Inspection Program (DONIP). The MCP serves as the basis for Commander, Military Sealift Command (COMSC) compliance with DONIP oversight requirements through conduct of the Mission Capability Assessment (MCA).

3. Scope. All commanders and commanding officers are responsible for establishing and monitoring internal controls or management safeguards for their commands. References (a) through (j) apply. Internal controls are built into work processes to provide reasonable assurance that resources are safeguarded; information is accurate and reliable; laws, regulations and policies are adhered to; and economy and efficiency are achieved. As such, the MCP applies to all Military Sealift Command (MSC) processes, programs and functions.

4. Background

a. In reference (d), SECNAV places strong emphasis on adhering to the principles of the Federal Managers' Financial Integrity Act (FMFIA) of September 1982 (reference (a)). FMFIA mandates that each executive agency's internal accounting and administrative controls be established in accordance with standards prescribed by the Comptroller General. The DON seeks to meet the goals of FMFIA through the MCP. The MCP encompasses all programs and functions within Navy, not just the comptroller functions of budgeting, recording and accounting for revenues and expenditures, within the Assessable Unit (AU) structure mandated by implementation of FMFIA. All MSC activity managers, (e.g., Program Managers, Functional Directors, Special Assistants and Area Commanders) are required to incorporate basic management controls into the strategies, plans, guidance and procedures governing their programs including day-to-day operations. The MCP emerges as the basic assessment measure for every MSC manager to use in providing reasonable assurance of adequate management controls.

b. References (e) through (g) provide basic guidelines for implementing the MCP in commands reporting to the Chief of Naval Operations (CNO). This instruction supplements CNO guidance and is applicable throughout MSC.

5. Discussion

a. The Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) (OASN (FM&C)), Office of Financial Management (FMO) oversees the MCP for DON and implements the law of FMFIA through MCP. By this instruction, MCP shall be integrated into all MSC processes, functions, and programs. All managers (not solely the Comptroller) are accountable for establishing, maintaining, evaluating and

improving internal control systems for their respective processes. Per SECNAV requirement, an Annual Assurance Statement (AAS) certifying the adequacy of internal or management controls shall be required by managers each fiscal year in support of FMFIA. COMSC managers shall submit AAS letters to N00IC by 1 August of each year. A copy of the directorate's current fiscal year AU Plan shall also be submitted with the AAS. Selected Command Evaluation (CE) reviews, scheduled technical inspections, announced audits, or other outside assessments may be used as alternate management control reviews to ensure the effectiveness of established controls.

b. Internal control systems (or management controls) are the organization, policies and procedures that reasonably assure:

- (1) Programs and operations achieve intended results.
- (2) Resources are used consistent with the Navy's mission.
- (3) Programs and resources are protected from fraud, waste, abuse or mismanagement.
- (4) Laws and regulations are followed.
- (5) Reliable and timely information is obtained, maintained, reported and used for decision making.

c. SECNAV stresses that the adequacy of management controls are to be primarily self-assessed by managers through the daily practices of conducting mission critical, mission support and related activities and actions, and shall:

- (1) Encompass all operations and mission responsibilities of an organization.
- (2) Not duplicate existing information that pertains to evaluating the effectiveness of management controls such that a reduction in effort and documentation results from proper employment of the MCP. Process evaluations or assessments accomplished for other purposes meet requirements for use as management control assessments.
- (3) Be advocated and supported by organizational leadership.
- (4) Identify, report and correct material weaknesses in those instances where internal controls are not in place, not used or not adequate.

d. The MCP concept relies on the use of existing control methods or mechanisms, where they exist, for gauging the health of mission and support processes. A meaningful assessment of the control mechanisms employed to safeguard resources is more important

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than a rigid formal documentation of the assessment. Thus, the documentation used to affect normal operations, when coupled with risk assessment or flowcharts, can be used to satisfy MCP records requirements, if it can be traced back to source or managers' actions.

e. Enclosure (1) provides a flowchart to illustrate the process steps associated with this program at MSC.

6. Relationship of the CE Program to the MCP. Reference (h) provides COMSC policy and guidelines for conducting reviews and command evaluations. The MCP is an individual manager's self-assessment tool, whereas the CE Program provides the Commander a disciplined in-house method for performing independent reviews and evaluations of activity operations, which can be incorporated into self assessment programs. A CE or review is an important internal mechanism for detecting and correcting a condition that may adversely impact mission, command integrity or the economical use of resources. During reviews/evaluations, internal or management controls are routinely evaluated for adequacy and where warranted, recommendations are directed to the appropriate manager for corrective action. The responsibility for establishing, maintaining or improving internal controls falls under the purview of the activity manager (e.g., Program Manager/Functional Director/Special Assistant/Area Commander). Proactively utilized, CE provides a commander an excellent tool for monitoring MCP performance. Selected CE reviews will be scheduled by COMSC for areas of MSC-wide concern.

7. Relationship of the Mission Capability Assessment (MCA) to the MCP. The MCA (reference (i)) dovetails directly with the MCP. By completing the process analysis associated with the MCP, MSC organizational units are also simultaneously preparing for an MCA which focuses on mission critical AUs/ work processes (WPs). This approach allows MSC to stay in a perpetual state of readiness for any inspection or review. This method leverages the effort by MSC managers in meeting day-to-day mission requirements and also gives MSC a vehicle to quickly gauge the health of its processes with minimal investment of time and effort.

8. Relationship of Operational Risk Management (ORM) to the MCA and MCPs. All naval missions, as well as daily routines, involve risk. The principles of ORM, applied to day-to-day operations, have produced dramatic results in reducing losses just as has been the case when applied to contingency or crisis operations. ORM involves identifying hazards, assessing risks and implementing controls to reduce the risk associated with any operation. Program Managers/Functional Directors/Special Assistants/Area Commanders have a fundamental responsibility to safeguard highly valued personnel and material resources, and to accept only the minimal level of risk necessary to accomplish assigned missions. Guidelines for the ORM process are discussed in reference (j). An operation should be continuously monitored for effectiveness of controls and situational changes. The flowcharts developed through the MCP and MCA programs provide a solid framework for assessing risks and also evaluating the effectiveness of controls affecting both loss and

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hazards. Flowcharts developed for the MCP and MCA programs pictorially display pulse points that permit a rapid preliminary evaluation of various aspects of risk. When displayed with sufficient detail, flowcharts allow managers to identify, assess and isolate risky areas quickly and make informed decisions about how best to approach day-to-day risks (enclosures (7) and (8) pertain).

9. Definitions

a. Pertinent terms are listed in enclosure (2).

b. Major DOD Functional Categories are discussed in enclosure (3). Only 12 of the 15 categories apply to the MSC.

10. Policy. It is the policy of COMSC that all Program Managers/Functional Directors/Special Assistants/Area Commanders develop, implement, maintain, review and improve accounting and administrative controls. On an ongoing basis, all managers shall be vigilant concerning the adequacy of internal control systems. All levels of management shall comply with the guidelines of this instruction.

11. Procedures. The MCP includes the following major steps shown in enclosure (1) and discussed further in enclosures (2) through (4).

a. Organize the Process. Program Managers/Functional Directors/Special Assistants/Area Commanders shall formally designate an MCP coordinator. The typical duties of a MCP coordinator are discussed in enclosure (4).

b. Segment Directorate or Command Activities and Assign Responsibilities. Divide command or directorate activities into AUs or WPs; any functional, process, organizational, programmatic or other entity capable of being evaluated discretely by management control procedures. An AU/WP is any subdivision of an activity or process that ensures a reasonable span of management control to allow for adequate analysis. Categorize command AUs/WPs by DOD Functional Categories (see enclosure (3)). Develop a process (AU/WP) inventory that reflects the department's mission and associated support elements. For each process, ensure that a responsible manager is identified. Enclosure (5) provides a representative, although not all-encompassing, inventory/menu of potential AUs/WPs for use by Program Managers/Functional Directors/Special Assistants/Area Commanders. The inventory has columns to identify Process Owners (PO) and Process Users (PU). "PO" indicates the organization (i.e., N code) or individual who has "subject matter expertise" and is considered responsible for the AU/WP at the organizational level. On the other hand, "PU" denotes those organizations or individuals that rely upon the AU/WP to accomplish some measure of their respective mission/task and therefore have a need to be aware and responsive to the process. Enclosure (6) format provides a typical manager's fiscal year listing of AU/WPs

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and a record of when an assessment was performed or is projected to occur. A directorate's complete fiscal year AU plan results simply from segmenting the mission critical and support processes within the directorate and publishing a projected assessment schedule to review their control adequacy. Risk determinations will drive the frequency of assessing AU/WPs and are intended to also be an individual manager's call. However at a minimum, each AU/WP should be reviewed at least once within an MCA cycle. Enclosure (6) will be forwarded with the AAS as discussed in paragraph 11f and will also be submitted in accordance with the MCA preparation requirements specified by reference (i).

c. Develop flowchart

(1) Based upon mission and associated support, each Program Manager/Functional Director/Special Assistant/Area Commander may have significantly different inventories. For each AU/WP in the inventory, develop a one-page mid-level (e.g., sufficient detail to show how the process works) linear flowchart. The flowchart shall show the process from start to finish. Enclosures (1) and (9) provide two examples.

(2) The flowchart is a valuable management tool and assessment document that depicts how a procedure or system works. It shows interrelationships with other processes, as well as exposing redundancies. Possible internal control points are displayed in the form of process and decision steps that serve as prime pulse points which can be quickly assessed for efficiency, effectiveness and economy. The assessment can highlight areas susceptible to internal control breakdowns. Flowcharts can also identify potential process risk areas. As a result, a decision to only check high-risk areas in a stable process saves time, effort and resources.

(3) The ease of using a flowchart also affords a non-subject matter expert an opportunity to make a reasonable assessment of the observed process. When properly annotated or coupled with attachments, a flowchart can allow a reviewer to trace information back to source documents reducing time and effort to conduct reviews. Flowcharts support reinventing and reengineering opportunity. Managers can conclude from examining a flowchart that a process can not be significantly improved and a new process approach is warranted. Ultimately, this approach permits the manager a tool to swiftly evaluate command processes without bogging down in minutia.

(4) Flowcharts – Levels of detail

(a) Macro

- Depicts only the essential processes
- Used by senior leadership

(b) Mid-Level

- Department head level
- More detail than represented in the Macro level flowchart

(c) Micro-Level

- Ground level view
- Process Worker level, greatest level of detail

(5) Steps in developing a flowchart:

- (a) Assemble process owners and workers.
- (b) Separate content from process.
- (c) Define the process.
- (d) Define the start and stop (boundaries).
- (e) List the steps, activities, decisions points and points at which measurements are taken.
- (f) Use correct symbology.
- (g) Depict the actual process (not what people think is occurring, not what the guidance says should be happening, not what you think others want to see).
- (h) Start with the “big picture” (then expand to greater detail).

d. Internal Control System Test and Manager Risk Assessment (MRA)

(1) For the AU/WP test one or two internal control or pulse points on the flowchart. This can be accomplished by one of five methods: (1) a physical inspection or walk-through of the process; (2) reviewing documents or completing a checklist; (3) conducting interviews; (4) simulations, and (5) evaluating data. Use enclosure (7) to document test results and retain with the flowchart. System tests and manager risk assessments shall be accomplished periodically at manager’s discretion and must be balanced against a judgement as to whether doing so more often would hamper efficient operations.

(2) Pursuant to reference (j), determine if the process also requires and has had an ORM assessment. Are actions being taken as a result of the assessment? Indicate the results on enclosure (7).

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(3) Enclosure (7) provides a sample test/MRA and enclosure (8) an ORM for enclosure (9).

e. MCP Documentation Requirements. Use alternative documentation (e.g., DOD IG report, GAO audit, Naval Audit Service opinion or audit, CE review, Technical Inspection report, etc.) whenever available and appropriate. The MCP records and documentation, including locally prepared manager assessment documents, internal control system test results, checklists, ORM assessments and flowcharts will be kept at the AU manager level. Retain documentation in-house for a minimum of 3 years or longer if required to support the DONIP/MCA cycle.

f. Submit Annual Assurance Statements. In preparing the AAS, consider paragraph 5 above. Enclosure (10) provides a sample format with sample enclosures.

(1) To ensure the existence of a clear path of accountability, Program Managers/Functional Directors/Special Assistants/Area Commanders shall submit an AAS with enclosure (6) attached to the COMSC Inspector General (N00I) no later than 1 August. Assurance is required regardless of the existence of material weaknesses.

(2) When appropriate, report on the following issues. See Attachment A to enclosure (10) and enclosure (11) for sample formats.

(a) To report major accomplishments, use Attachment A to enclosure (10).

(b) To report material weaknesses that are not correctable at the local level, use enclosure (10) format.

(c) To report the status of corrective actions on weaknesses not previously reported as closed, use enclosure (11) format.

12. Action

a. Program Managers/Functional Directors/Special Assistants

(1) Comply with the policies and procedures set forth in this instruction.

(2) Ensure that all managers actively participate in the MCP and that their participation level and quality is considered during annual performance evaluations.

(3) Ensure that appropriate training is provided to appropriate managers and MCP coordinators.

(4) Provide current MCP coordinator point of contact and phone number to COMSC (N00Ic), via phone, by 1 March each year. Commercial telephone number is (202) 685-5030 or FAX (202) 685-5033. DSN prefix is 325.

b. Area Commanders. In addition to the above actions:

(1) Ensure cognizant managers evaluate subordinate activities in accordance with the intent of this instruction.

(2) Ensure a plan is established to correct subordinate activities AU/WP weaknesses in a timely manner.

(3) Assess program compliance at subordinate activities.

13. Report Control Symbol. The reporting requirements for this program are assigned Report Control Symbol MSC RCS 5200-1 and are approved for 3 years in accordance with SECNAVINST 5214.5B.

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Distribution:

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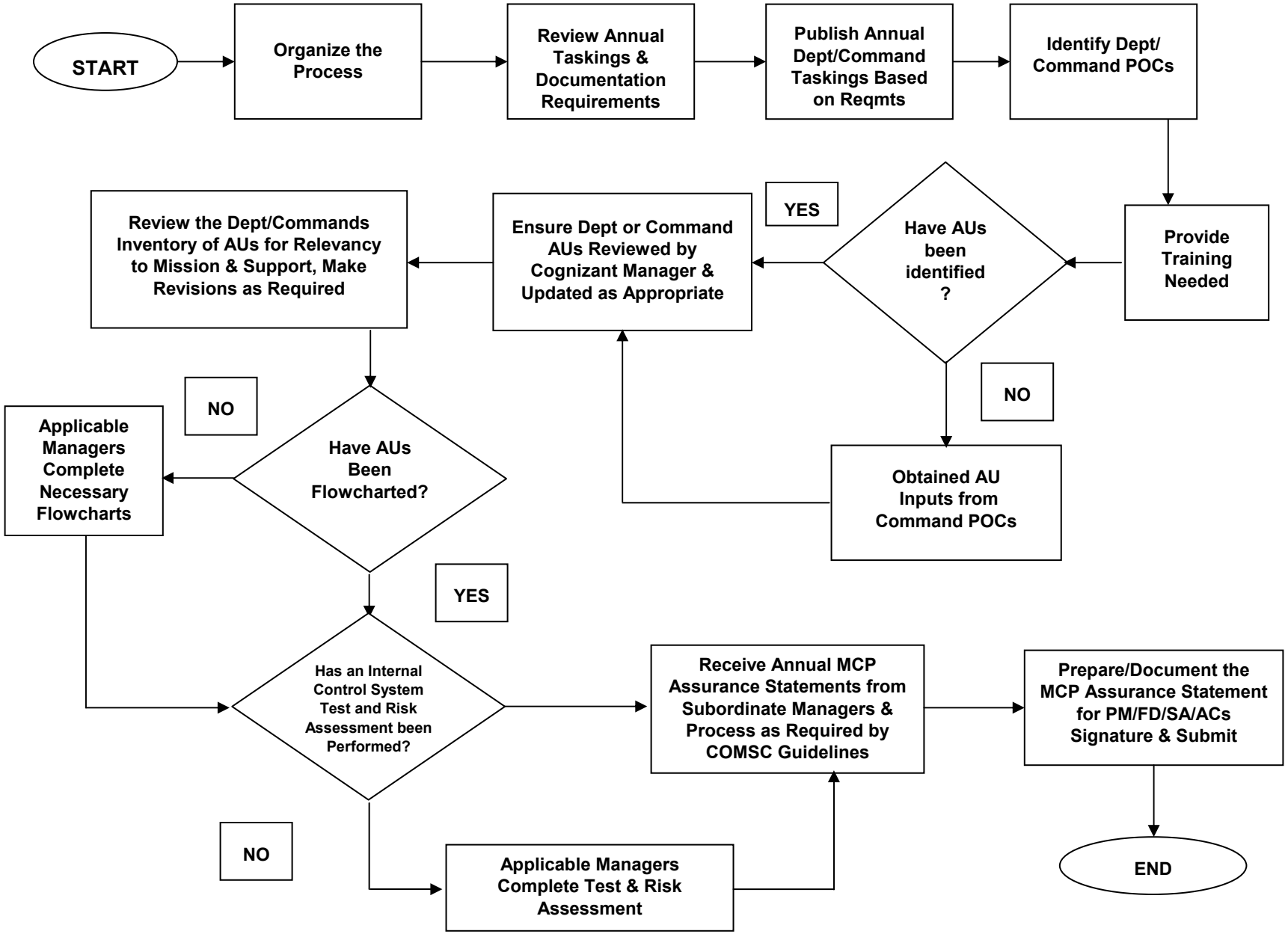
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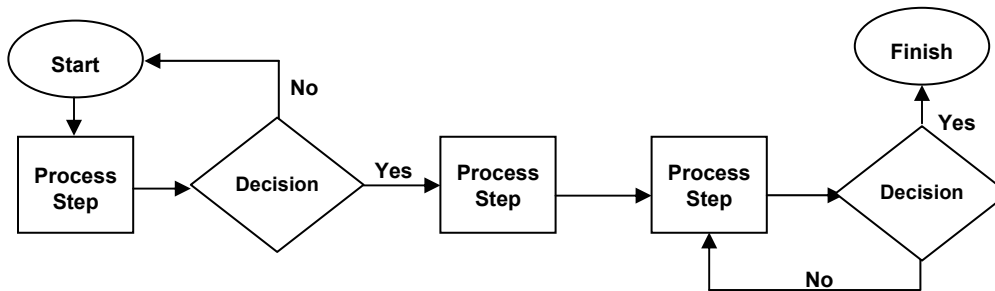
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MANAGEMENT CONTROL PROGRAM (MCP) FLOWCHART



GENERAL INFORMATION - MANAGEMENT CONTROL PROGRAM KEY DEFINITIONS

1. Management Controls or Internal Controls. These terms are used synonymously (management control is the preferred term). They are the safeguards built into a work process that ensure resources are used as intended and procedures are followed as directed. The goal is to achieve the best results at the lowest possible cost.
2. Linear Flowchart. A straight-line graphic depicting a work process. It displays a sequence of events in the order of occurrence. Elements include a starting point, process steps, decision points and at least one ending point.



3. Material Weakness. A material weakness exists when a condition results in a potential for relatively high risk of loss, errors or irregularities in relation to the assets or resources being managed. Professional judgment, based on applied common sense, must be used when determining materiality. The factors below are determinant as to whether a particular condition represents a material weakness for reporting to COMSC.

- Actual or potential loss of resources (e.g., property, inventory, personnel, etc.).
- Actual or potential loss of sensitive resources (e.g., drugs, materials, munitions [weapons and ammunition], etc.).
- Current or probable Congressional or media interest (adverse publicity).
- Impaired fulfillment of mission.
- Unreliable information causing unsound management decisions.
- Violations of statutory requirements.
- Systematic deficiencies regardless of the magnitude of resources involved.
- Magnitude of funds, property or other resources involved.
- Diminished credibility or reputation of management.
- Deprived public access to needed Government services.

4. AUs/WPs. A combination of inputs, actions and outputs characterized by a starting and at least one ending point. AUs/WPs can be broken down into two broad categories: (1) mission and (2) support. Enclosure (5) displays AUs/WPs by DOD Functional Categories. The inventory is intended to provide a menu of possible processes to consider in developing the appropriate AU inventory.

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**GENERAL INFORMATION - MANAGEMENT CONTROL PROGRAM
DOD FUNCTIONAL CATEGORIES**

1. Research, Development, Test and Evaluation¹. Covers basic project definition, approval, and transition from basic research through development, test, and evaluation and all DOD and contractor operations involved in accomplishing the project work, excluding the support functions covered in separate reporting categories such as Procurement and Contract Administration.
2. Major Systems Acquisition¹. Covers items designated as major systems and that are subject to the procedures of the Defense Acquisition Board, the Military Services Acquisition Review Councils or the Selected Acquisition Reporting System. DOD Directive 5000.1 of 23 October 2000 may be helpful when evaluating a weakness for inclusion in this category.
3. Procurement. Covers the decisions to purchase items and services together with certain actions to award and amend contracts (e.g., contractual provisions, type of contract, invitation to bid, independent Government cost estimate, technical specifications, evaluation and selection process, pricing, and reporting).
4. Contract Administration. Covers the fulfillment of contractual requirements including performance and delivery, quality control and testing to meet specifications, performance acceptance, billing and payment controls, justification for contractual amendments and actions to protect the best interests of the government.
5. Force Readiness. Includes the operational readiness capability of combat and combat support (both Active and Reserve component) forces, based on analysis of the use of resources to attain required combat capability or readiness levels.
6. Manufacturing, Maintenance and Repair. Covers the management and operation of in-house and contractor-operated facilities performing maintenance and repair of, and/or installation of modifications to, material, equipment and supplies. Includes depot and arsenal-type facilities as well as intermediate and unit levels of military organizations.
7. Supply Operations. Encompasses supply operations at the wholesale level (depot and inventory control point) from the initial determination of material requirements through receipt, storage, issue reporting and inventory control (excluding the procurement of materials and supplies). Covers all supply operations at retail level (customer), including

¹Not applicable to MSC.

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the accountability and control for supplies and equipment of all commodities in the supply accounts of all units and organizations (excluding procurement of material, equipment and supplies).

8. Property Management. Covers construction, rehabilitation, expansion, improvement, management and control over real and installed property and facilities (both military and civil works construction). Includes all phases of property life-cycle management from determination of need through disposition. Also covers disposal actions for all material, equipment and supplies, including the Defense Reutilization and Marketing system.

9. Communications, Security and/or Intelligence. Covers the plans, programs, operations, systems and management activities for accomplishing the communications and intelligence missions. Includes safeguarding classified resources but not peripheral assets and support functions covered by other reporting categories. Also covers the DOD programs for protection of classified information.

10. Information Technology. This area covers the design, development, testing, approval, deployment, use and security of electronic data processing systems, computers and other technologies for processing management information. Includes requirements justification for equipment and software.

11. Personnel and/or Organization Management. Covers authorizations, recruitment, training, assignment, use, development and management of military and civilian personnel of DOD. Also includes the operations of headquarters organizations. Contract personnel are not covered by this category.

12. Comptroller/Resources Management. Covers the budget process, finance and accounting, cost analysis, productivity and management improvement and the general allocation and continuing evaluation of available resources to accomplish mission objectives. Includes pay and allowances for all DOD personnel and all financial management areas not covered by other reporting categories, including those in connection with OMB Circular A-76 (NOTAL).

13. Support Services. Includes all support services functions financed from appropriated funds not covered by the other reporting categories, such as health care, veterinary care and legal and public affairs services. All non-appropriated fund activities are also covered by this category.

14. Security Assistance¹. Covers management of DOD Foreign Military Sales, Grant Aid and International Military Education and Training Programs.

¹Not applicable to MSC.

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15. Other (Primarily Transportation). All functional responsibilities not contained in the previously noted categories, including management and use of land, sea and air transportation for movement of personnel, material, supplies, and equipment using both military and civilian sources.

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**GENERAL INFORMATION - MANAGEMENT CONTROL PROGRAM
COORDINATOR DUTIES & RESPONSIBILITIES**

1. Serves as point of contact for the MCP and advises the Program Manager/Functional Director/Special Assistant/Area Commander on program status.
2. Provides guidance and works with managers regarding annual requirements.
3. Provides familiarization training and technical assistance as needed.
4. Ensures the command's inventory of AUs/WPs are reviewed and updated by process owners.
5. Evaluates AUs/WPs for relevancy to the command's mission and associated support.
6. Ensures AUs/WPs are flowcharted and have evidence of an internal control system test and ORM assessment.
7. Retains the directorate's or command's copies of AU/WP flowcharts and evidence of testing and risk assessment.
8. Compiles management's submission (including positive management control accomplishments) for support of the MCP AAS.
9. Tracks the status of reported material weaknesses identified in the AAS, or by the MCA or CE Program with regards to AUs and WPs.

ACTIVITY ASSESSABLE UNITS (AUs)/WORK PROCESSES (WPs) INVENTORY/MENU		
1. FUNCTIONAL CATEGORY: RESEARCH, DEVELOPMENT, TEST AND EVALUATION (N/A)		
2. FUNCTIONAL CATEGORY: MAJOR SYSTEMS ACQUISITION (N/A)		
3. FUNCTIONAL CATEGORY: PROCUREMENT		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Credit Cards – Gov't Commercial Purchase Card		
Procurement Management Reviews		
Tanker Speed/Fuel Consumption		
4. FUNCTIONAL CATEGORY: CONTRACT ADMINISTRATION		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Vessel Intermediate/Organizational Maintenance		
Monitoring Contractors' Performance and Inspection and Acceptance of Supplies and Services		
Ship Operating Contracts & Chartering		
Ship Repair Contracts – CIVMAR Ships		
Tanker Maintenance and Repair		
Tanker Shore Based Parts		
Industrial Assistance		
Shipyards Change Orders		
Small Business Contracting		
Contract (Pre-award)		
Contract (Post-award)		
Contract (Close-out)		
5. FUNCTIONAL CATEGORY: FORCE READINESS		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Casualty Report (CASREP)		
Port Usage		
Force Protection Standards		
Fuel Consumption/OPTempo		
Assess/Analyze Requirements Studies		
6. FUNCTIONAL CATEGORY: MANUFACTURING, MAINTENANCE AND REPAIR		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Maintenance and Material Management		
Maintenance/Repair of Equipment (including minor property maintenance)		
7. FUNCTIONAL CATEGORY: SUPPLY OPERATIONS		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Fuels Management and Accountability (including recycling petroleum products and retail fuel operations)		

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7. FUNCTIONAL CATEGORY: SUPPLY OPERATIONS		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Goods & Services (ordering, services and receiving)		
Excess Material		
Shore Based Spares for Ships		
Shore Support Management		
Shipboard Logistics Readiness Evaluation		
Policy and Planning		
Mini-Market Operations		
HQs Property Control System		
Food Service/Subsistence		
Inventory Management (including physical inventory)		
Storage and Warehousing (including pre-expended bins, ready supply store (RSS), retail self service store (SERVMART), shelf life material, Shop stores and spare parts management)		
Supply Management (including material requisitioning, issue, receipt)		
Uniform Issue/Clothing		
8. FUNCTIONAL CATEGORY: PROPERTY MANAGEMENT		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Acquisition and Installation of Property		
Clothing, Supplies and Equipment		
Safety Reporting		
Contractor Purchased Equipment/Government Furnished Equipment/Material/Property		
Hazardous Material Control Program		
Material Handling Equipment		
Minor Property		
Missing, Lost, Stolen or Recovered (MLSR) System		
Plant Property Management		
Training Aids and Devices (non-audiovisual)		
Property Disposal/Excess Material		
Shipboard Material Assessment		
Technical Library		
Controlled Equipage		
Residual Asset Management		

9. FUNCTIONAL CATEGORY: COMMUNICATIONS, SECURITY AND/OR INTELLIGENCE		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Small Arms Control and Security		
Information and Personnel Security Program (including classified material and message control)		
Cellular Telephones/Pagers		
Operations Security		
Ordnance/Weapons Management		
Physical Security		
Telephone Billing and Collections		
Telephone Services and Usage		
Command & Control Communication		
Access Control (Ship Boarding)		
Program Service		
Contingency Back-up)		
10. FUNCTIONAL CATEGORY: INFORMATION TECHNOLOGY		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
ADP Equipment/Inventory Reporting (including Utilization)		
ADP Training		
Automated Information Systems (AIS) Development (including design, implement, and maintenance)		
AIS Security		
Information Assurance (IA)		
Software Management		
Systems/Applications Control		
Video – Conferencing		
Word Processing		
ADP Security		
OPS & C4S Environment		
Business Systems Technical Integration		
Site Management		
Maintenance Management (SAMM, EASY)		
11. FUNCTIONAL CATEGORY: PERSONNEL AND/OR ORGANIZATIONAL MANAGEMENT		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
CIVMAN		
Recruitment		
Discipline & Employee Relations		
Union Relations		
Employee Benefits		
Training		
Policy Oversight		

11. FUNCTIONAL CATEGORY: PERSONNEL AND/OR ORGANIZATIONAL MANAGEMENT		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Pre-Employment Processing & Follow-up		
Evaluation & Selection		
Reserve Utilization		
Ready Reserve Force (RRF)		
Apprentice Training		
Awards – Civilian		
Awards – Military		
Subsistence and Quarters Management		
Civilian Personnel Administration: Ashore		
Civilian Personnel Administration: Employment (PA's, promotion and internal placement)		
Civilian Personnel Administration: Performance Management		
Command Managed Equal Opportunity (CMEO) for Military		
Defense Acquisition Workforce Improvement Act (DAWIA)		
Disaster Preparedness Program		
Drug/Alcohol Programs – Civilian		
Drug/Alcohol Programs – Military		
Efficiency Review		
Equal Employment Opportunity (EEO) Programs		
Explosive Safety		
Federal Employees Compensation Act (FECA)		
Fire-fighting Certification		
Civilian Employee Assistance Program		

11. FUNCTIONAL CATEGORY: PERSONNEL AND/OR ORGANIZATIONAL MANAGEMENT		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
General Military Training (GMT) & Reserve		
General Safety Training		
Integrated Logistics Support (ILS)		
Library Materials/Services		
Manpower Control, Ceilings and Strength Rating		
Military Personnel Administration		
Navy Occupational Safety and Health (NAVOSH)		
Position Management Program		

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11. FUNCTIONAL CATEGORY: PERSONNEL AND/OR ORGANIZATIONAL MANAGEMENT		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Standards of Conduct – Civilian		
Standards of Conduct – Military		
Civilian Training and Career Development (including Upward Mobility Program)		
Safety		
Wage and Classification Manning		
12. FUNCTIONAL CATEGORY: COMPTROLLER/RESOURCES MANAGEMENT		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Accounting NWCF		
Budget Execution		
Budget Formulation		
Civilian Timekeeping and Payroll		
Disbursing Ashore		
Disbursing Afloat		
Accounts Payable Commercial Vendors		
Accounts Payable (NWCF)		
Fund Administration		
Fund Controls		
Timekeeping (Overtime Management)		
Voucher Certification		
Unit Level Billing		
Cargo Systems (CARS)		
CIVMAR Payroll		
Invoice Certification		
Reimbursement Funding		
Contract Monitoring		
Cost Monitoring		
Contract Closeout		
GCPC		
Expense Accrual		
Inventory		
Revenue Lift		
Official Representation Funds		
POM Development		
Travel		
Travel Advance Administration		
Travel Claims Processing		
Credit Card - Travel		

13. FUNCTIONAL CATEGORY: SUPPORT SERVICES SUBFUNCTION A. ADMINISTRATIVE SUPPORT		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Administrative Services (filing, reports, tracking, etc.)		
Mail Management & Postal		
Courier Service		
Management Control Program		
Public Affairs Program		
13. FUNCTIONAL CATEGORY: SUPPORT SERVICES SUBFUNCTION B. AUDIT		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Audit Liaison/Follow-up		
Command Evaluation Program		
Mission Capability Assessment (formerly Command Inspection Program)		
Investigations (i.e., Hotlines)		
Congressional Queries		
Strategic Plan		
Corporate Plan		
Support Plan		
13. FUNCTIONAL CATEGORY: SUPPORT SERVICES SUBFUNCTION C. FACILITIES AND/OR BASE MAINTENANCE		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Building Inspection Program		
Commercial Activities Program		
Energy Conservation Program		
Engineering		
Facilities Requirements/Management		
Host/Tenant Relations (inter-service and intra-service)		
Maintenance of Real Property		
Maintenance Service Agreement/Contracts		
Special Projects (i.e. MSCHQ Tower Renovation)		
Utilities Management		

13. FUNCTIONAL CATEGORY: SUPPORT SERVICES SUBFUNCTION D. LEGAL		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Administrative Separation		
Contract Review/Claims Related Litigation		
Courts Martial		
Ethics - Financial Disclosure Report Review - Civilian		
Ethics - Financial Disclosure Report Review - Military		
Freedom of Information Act/Privacy Act		
Judge Advocate General Manual (JAGMAN) Investigation Review		
Litigation (other than contractual)		
Non-Judicial Punishment		
13. FUNCTIONAL CATEGORY: SUPPORT SERVICES SUBFUNCTION E. MEDICAL		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Medical/Legal and Legal Risk Management Workers Compensation		
13. FUNCTIONAL CATEGORY: SUPPORT SERVICES SUBFUNCTION F. MORALE, WELFARE AND RECREATION		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Civilian Employee Morale, Welfare and Recreation		
Auxiliary Resale Operations		
Non-appropriated Fund Accounting		
13. FUNCTIONAL CATEGORY: SUPPORT SERVICES SUBFUNCTION G. RELIGIOUS		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Command Religious Program		
Suicide Prevention		
13. FUNCTIONAL CATEGORY: SUPPORT SERVICES SUBFUNCTION H. DEFENSE ACTIVITY FOR NON-TRADITIONAL EDUCATION SUPPORT		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User

14. FUNCTIONAL CATEGORY: SECURITY ASSISTANCE (N/A)		
15. FUNCTIONAL CATEGORY: OTHER SUBFUNCTION A. TRANSPORTATION		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Duty/Staff Vehicles		
Vehicle Inventory Control		
Vehicle Maintenance		
Vehicle Utilization		
Motorpool Gas Cards		
15. FUNCTIONAL CATEGORY: OTHER SUBFUNCTION B. SHIP MAINTENANCE AND REPAIR		
ASSESSABLE UNIT/WORK PROCESS	Process Owner	Process User
Engineer Support		
Quality Support		
Alteration and Design		
Overruns		
Change orders		
Ship Repair Management		
CIVMAR Operated Vessels		
Advance Planning		
Government Estimates		
Cost Reimbursable Work		
Negotiation/Evaluation		
Negotiation of Growth		
Operations – Special Mission Ships		
Fleet Auxiliary Force Ships		
Tankers		
Dry Cargo ships		
Husbanding USNS Ships		
Interservice Support Agreements		
Force Protection		
Exercise Planning		
Fuel Cargo Operations		
Ship Operation of NFAF Ships		
Ship Scheduling/Control (Dry Cargo), FSS, RRF, Tanker		
Bunker Fuel Management		

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FY 2003 Assessable Unit/Work Process Annual Plan

PM2								
FLOW CHART	ASSESSABLE UNIT/WORK PROCESS	DOD FC	PROCESS OWNER	AU/WP MANAGER	FY03 ALT EVAL	TEST OR CHECK (A-Audit, AE-ALT Eval, C-Checklist)	(DD/MM/YY)	WEAKNESS (Y-?#) / (N)
	Procurement	3						
X	Ship Operating Contracts & Chartering		N10	PM2	X	C - 02/02/03		N
	Ship Repair Contracts – CIVMAR Ships		N10	PM2				
X	Government Purchase Card		N8	PM2				
	Contract Administration	4						
X	Ship Operating Contracts & Chartering		N10	PM2				
	Ship Repair Contracts – CIVMAR Ships		N10	PM2	X	AE - 10/15/02		N
	Force Readiness	5						
	OPTEMPO/Fuel Consumption							
	Port Usage							
	Maintenance & Repair	6						
	PM21							
	PM22				X	AE - 05/10/03		N
X	Hazardous Material Management		N4					

Enclosure

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PM2 (Cont'd)

FLOW CHART	ASSESSABLE UNIT/WORK PROCESS	DOD FC	PROCESS OWNER	AU/WP MANAGER	FY03 ALT EVAL	TYPE CHECK (A-Audit, AE-ALT Eval, C-Checklist)	(MM/DD/YY)	WEAKNESS (Y-?#) / (N)
	Supply Operations	7						
	Policy & Planning		N4					
	Shipboard Logistics Readiness Evaluation		N4		X	C - 03/21/03		N
	Shore Support Management		N4					
X	Spare Parts		N4					
	Personnel/Organization Management	11						
X	Performance Appraisals		N1	PM2				
X	Personal Awards		N1	PM2	X	AE - 07/21/02		N
	Personnel Administration - Ashore		N1	PM2				
X	Overtime Management		N8	PM2				
X	Civilian Timekeeping and Payroll		N8	PM2	X	A - 05/05/03		N
	Comptroller/Resource Management	12						
X	Budget Preparation		N8	PM2				
X	Budget Execution		N8	PM2				
X	Invoice Certification		N8	PM2				
	Reimbursable Funding		N8	PM2				
	Excess Material		N4	PM2	X	A - 04/26/03		N
	Residual Asset Management		N8	PM2				
	SUPPORT SERVICES: SUBFUNCTION A. ADMINISTRATIVE SUPPORT	13						
	Admin Services(filing, reports, tracking, etc)		N1					
X	Mgmt Control Program (MCP)		N00I					
	SUPPORT SERVICES: SUBFUNCTION B. AUDIT	13						
X	Mission Capability Assessment (MCA)		N00I					

Enclosure (6)

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INTERNAL CONTROL SYSTEM TEST AND MANAGER RISK ASSESSMENT

1. **Assessable Unit/Work Process:**

2. **Way(s) tested?**
- Performed a physical inspection or walk-through of the process.
 - Reviewed documents.
 - Interviewed cognizant managers.
 - Evaluated data.
 - Conducted Simulation

3. **Test results** **YES** **NO**

- a. Does the flowchart reflect the process?
- b. Is the process producing intended results?
- c. Are protections against fraud, waste, abuse and mismanagement practices adequate?
- d. Are laws and regulations followed?
- e. Is the process effective, efficient, and economical?
- f. Has an Operational Risk Management Assessment been completed?

(Refer to OPNAVINST 3500.39A, encl. (1))

(1) Hazard Severity: (check one) Category I II III IV

(2) Mishap Probability: (check one) Sub-category A B C D

(3) Risk Assessment Code (RAC): (check one)

- 1 - Critical
- 2 - Serious
- 3 - Moderate
- 4 - Minor
- 5 - Negligible

g. Are the internal controls acceptable for reducing risks? YES NO

4. **For any "NO" response above, indicate the remedial action planned and expected completion date.**

5. **Does this process warrant reporting to higher authority as a material weakness?** YES NO

6. **Attested to by:** _____ **Date:** .

INTERNAL CONTROL SYSTEM TEST AND MANAGER RISK ASSESSMENT

1. **Work Process/Assessable Unit:** Voyage Charter Process

2. **Way(s) tested?**
- Performed a physical inspection or walk-through of the process.
 - Reviewed documents.
 - Interviewed cognizant managers.
 - Evaluated data.
 - Simulation

SAMPLE
YES

3. **Test results**

- a. Does the flowchart reflect the process?
- b. Is the process producing intended results?
- c. Are protections against fraud, waste, abuse and mismanagement practices adequate?
- d. Are laws and regulations followed?
- e. Is the process effective, efficient, and economical?
- f. Has an Operational Risk Management Assessment been completed?
(Refer to OPNAVINST 3500.39A, encl. (1))

(1) Hazard Severity: (check one) Category I II III IV

(2) Mishap Probability: (check one) Sub-category A B C D

(3) Risk Assessment Code (RAC): (check one)

- 1 - Critical
- 2 - Serious
- 3 - Moderate
- 4 - Minor
- 5 - Negligible

g. Are the internal controls acceptable for reducing risks? YES NO

4. **For any "NO" response above, indicate the remedial action planned and expected completion date.**

No remedial action is necessary. The controls are solid as found during the testing.

5. **Does this process warrant reporting to higher authority as a material weakness?** YES NO

6. **Attested to by:** I. M. Determined **Date:** 03/29/02

**OPERATIONAL RISK MANAGEMENT (ORM) ASSESSMENT
(OPNAVINST 3500.39A FIVE-STEP PROCESS)**

SAMPLE

Activity/Department: **PM51**
Work Process: **Voyage Charter Process**

Step 1. Identify Hazards:

- | | Yes | No | N/A |
|---|-------------------------------------|--------------------------|--------------------------|
| a. Has a flowchart been completed identifying major steps of the work process? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Have applicable hazards of each step with possible causes for those hazards been documented? If yes, attach copy (format on page 3). If no, comment on page 2. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Step 2. Assess Hazards: Each hazard identified in Step 1 will be assigned a "Hazard Severity Category," "Mishap Probability Rating," and a "Risk Assessment Code (RAC)." The below matrices are a guide for assessing hazards.

- | | | | |
|---|-------------------------------------|--------------------------|--------------------------|
| a. Has each hazard been assigned a Hazard Severity Category? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Has each hazard been assigned a Mishap Probability Rating? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c. Has each hazard been assigned a RAC? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Hazard Severity Category Matrix:

- I (death, loss, or grave damage)
- II (severe injury, damage, or inefficiencies)
- III (minor injuries, damage, or inefficiencies)
- IV (minimal threat to personnel and property)

Mishap Probability Sub-Category Matrix:

- A (likely to occur immediately)
- B (probably will occur in time)
- C (may occur in time)
- D (unlikely to occur)

Risk Assessment Code

- 1=Critical
- 2=Serious
- 3=Moderate
- 4=Minor
- 5=Negligible

Hazard Severity

- I
- II
- III
- IV

Mishap Probability Rating

A	B	C	D
1	1	2	3
1	2	3	4
2	3	4	5
3	4	5	5

Step 3. Risk Decisions:

- | | Yes | No | N/A |
|--|-------------------------------------|--------------------------|-------------------------------------|
| a. Have risks been prioritized and internal controls selected to reduce process risks? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b. Do selected internal controls provide benefits that outweigh risks? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c. If risk outweighs benefit, does the process warrant reporting to higher authority as a material weakness? Discuss issues on page 2. | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

Step 4. Internal Control Implementation (*more than one type internal control may apply*):

Yes No N/A

- a. Have "Engineering Controls" been implemented that reduce risks by design, material selection, or substitution when technically or economically feasible?

- b. Have "Administrative Controls" been implemented that reduce risks through specific administrative actions, such as:
 - (1) providing suitable warnings, markings, placards, signs and notices?
 - (2) establishing written policies, programs, instructions and standard operating procedures?
 - (3) training personnel to recognize hazards and take appropriate precautionary measures?
 - (4) limiting the exposure to a hazard (either by reducing the number of personnel/assets or the length of time they are exposed)?

- c. Is there use of "Personal Protective Equipment" (serves as a barrier between personnel and a hazard and should be used when other controls do not reduce the hazard to an acceptable level)?

Step 5. Supervision: Is there periodic supervisory oversight of internal controls for the work process?

ORM Assessment conducted by: P. R. Mann **Date:** 06/04/2002

ORM Assessment reviewed by: I. M. Determined **Date:** 06/05/2002

Issues/Comments

Actions (Include estimated completion dates)

SAMPLE

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**OPERATIONAL RISK MANAGEMENT (ORM) ASSESSMENT
WORK PROCESS HAZARDS**

Activity/Department: PM51

Work Process: Contracting for Voyage Charter

Document applicable risks and causes on the above work process. List hazards in order of severity. Refer to page 1 of ORM Assessment Form for matrices to determine Hazard Severity Category, Mishap Probability Sub-category, and Risk Assessment Code (RAC).

1. Hazard. Intentional contract process error.

- Contractor intentionally provides vessel/services in manner not IAW contract specifications
- Contracting Officer intentionally awards contract to other than best value bidder

a. Cause. Criminal Fraud

b. Hazard Severity Category: II

c. Mishap Probability Sub-Category: C

d. RAC: 3

SAMPLE

2. Hazard. Unintentional contract process error.

- Administrative delay in awarding contract or government delay in meeting contract obligations resulting in penalty to the government.

a. Cause. Inefficiency

b. Hazard Severity Category: III

c. Mishap Probability Sub-Category: C

d. RAC: 5

3. Hazard. Mismanagement of contracting process.

- Failure to properly define requirements in the contract
- Failure to solicit all possible bidders in a timely manner

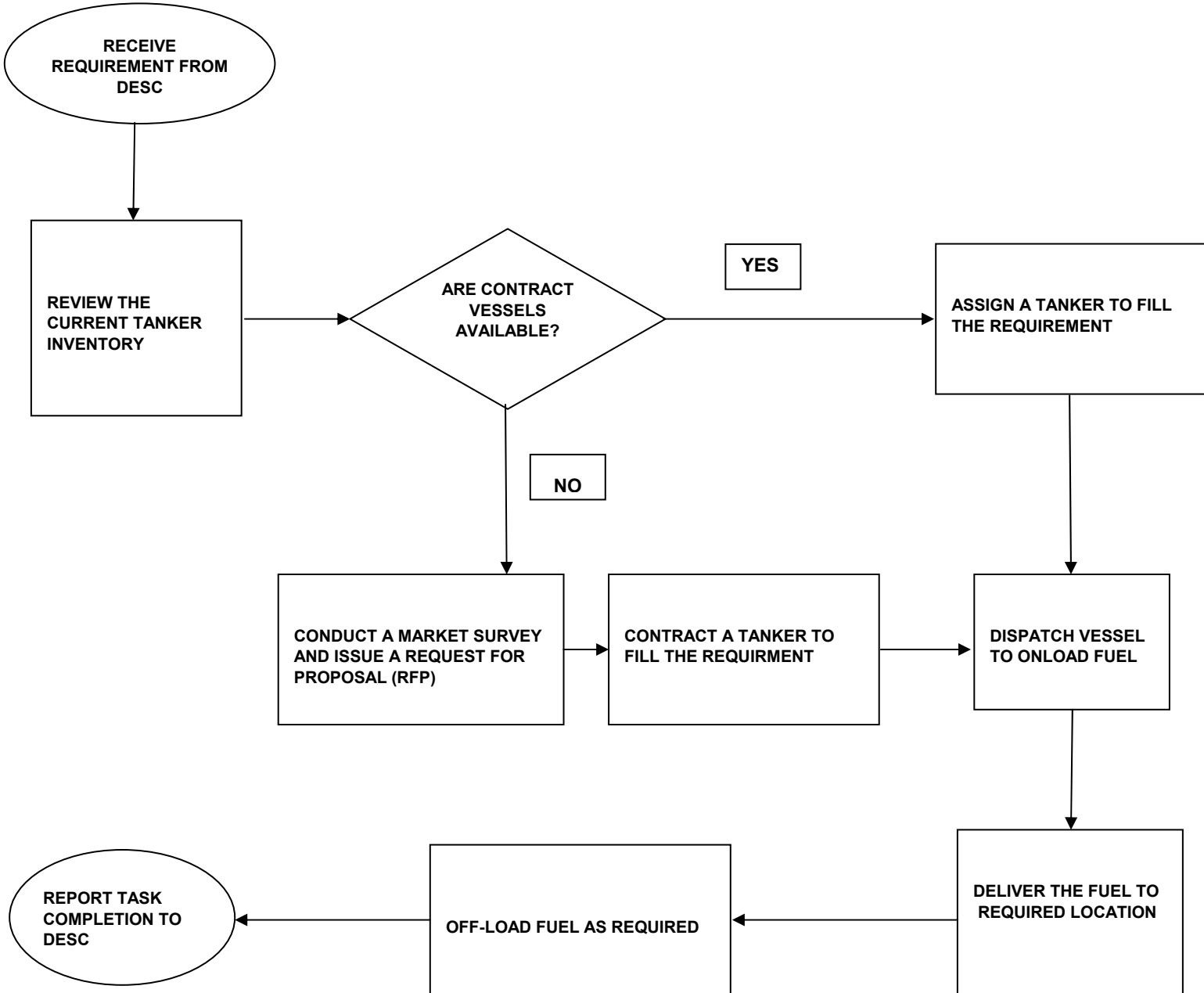
a. Cause. Lack of training or ineffectiveness

b. Hazard Severity Category: III

c. Mishap Probability Sub-Category: C

d. RAC: 5

VOYAGE CHARTER PROCESS – EXAMPLE OF MID-LEVEL FLOWCHART



**SAMPLE ACTIVITY MANAGEMENT CONTROL ANNUAL ASSURANCE
STATEMENT**

From: Responsible Official (Directorate Head, Area Commander)
To: Next higher level in the chain of command

Subj: MANAGEMENT CONTROL ANNUAL ASSURANCE STATEMENT

Ref: (a) COMSCINST 5200.9
(b) COMSCNOTE 5200 of _____

Encl: (1) Major Accomplishments (see Attachment A for example)
(2) Material Weaknesses (use enclosure (11) format)
(3) Status of Corrective Actions (use enclosure (11) format)

1. I have taken the necessary measures to ensure that the system of internal controls in effect during Fiscal Year (current FY) within (Department or Command) has been evaluated in accordance with references (a) and (b). Major accomplishments are discussed in enclosure (1).

2. (Make one of the following statements)

I have reasonable assurance that management controls are in place and operating effectively. The objectives of the Federal Managers' Financial Integrity Act were achieved. **(or)**

I have reasonable assurance that management controls are in place and operating effectively, except for the material weaknesses discussed in enclosures (2) and (3). The objectives of the Federal Managers' Financial Integrity Act were achieved. **(or)**

I do not have reasonable assurance that controls are in place and working effectively, as discussed in enclosures (2) and (3). However, remedial action is being taken to ensure compliance with the objectives of the Federal Managers' Financial Integrity Act.

3. Information to support the certification statement was derived from process analyses, audits, inspections, investigations and other management information, such as knowledge gained from daily operations of programs and functions.

Signed by Appropriate Responsible Official

**FORMAT FOR REPORTING MATERIAL WEAKNESSES FOR
INFORMATION OR WHEN REQUESTED BY CNO**

Title and Description of the Material Weakness: Use the title from the source document. Provide a brief narrative summary describing the material weakness and its scope; i.e., local, area wide, service wide, etc.

Functional Category: Choose one of the 15 DOD categories.

Pace of Corrective Action: The five items below identify the pace of corrective action. All dates are to be reported by fiscal year (FY).

- **Year Identified:** Identify the FY the material weakness was first reported in the organization/component's annual statement of assurance.
- **Original Targeted Correction Date:** Provide the original target correction date contained in the initial report of this material weakness.
- **Targeted Correction Date in Last Year's Report:** Provide the target correction date that was reported in the previous year's annual statement of assurance. Enter N/A for current year material weaknesses.
- **Current Target Date:** Indicate the current target correction date.
- **Reason for Change in Date(s):** If targeted correction date and current target date are different, explain the reason for the change. Enter N/A, if unchanged.

Component/Appropriation/Account Number: Identify the appropriation(s) and account number(s) related to the described material weakness using the standard DOD designation, e.g., FY 1999 Operation and Maintenance, Navy (O&MN), 1771804.

Validation Process: Briefly explain how the effectiveness of the corrective action(s) will be demonstrated.

Results Indicators: Provide a short description of how the corrective actions improve the function, process or procedure. Monetary benefits (if any) should be reported here.

Source(s) Identifying Weakness: Provide the source(s) used to identify the material weakness, e.g., audit. When using a source other than a management review, cite the report number, title and date. List all sources individually.

Major Milestones in Corrective Action: A milestone chart is to be provided which indicates actions taken and actions planned. It should be separated into three categories:

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- **Completed Milestones:**

Milestone:

- **Planned Milestones (Next FY)**

Date: Milestone:

- **Planned Milestones (Beyond Next FY)**

Date: Milestone:

Verification: (Completion date and verification actions)

Point of Contact: Provide name and telephone number (voice and fax) and e-mail address, if applicable.