



DEPARTMENT OF THE NAVY  
NAVAL FACILITIES ENGINEERING COMMAND  
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NAVFACINST 5000.14B  
FAC IG  
20 July 2004

NAVFAC INSTRUCTION 5000.14B

From: Commander, Naval Facilities Engineering Command

Subj: COMMAND EVALUATION AUDIT MANAGEMENT AND LIAISON AND  
MANAGEMENT CONTROL PROGRAMS

Ref: (a) OPNAVINST 5000.52A, Command Evaluation Program  
(b) DON Command Evaluation Manual  
(c) SECNAVINST 5200.34D, Management of Audit Decision and Follow-up Functions  
(d) Federal Managers Financial Integrity Act of 1982  
(e) OMB Circular No. A-123, Management Accountability and Control, of 21 Jun 1995  
(f) DOD Directive 5010.38, Management Control Program, of 26 Aug 1996  
(g) SECNAVINST 5200.35D, Department of the Navy Management Control Program  
(h) NAVFACINST 5040.1A, NAVFACENGCOM Self-Assessment and On-Site  
Inspection Program

Encl: (1) Command Evaluation Program Procedures and Requirements  
(2) Management Control Program Procedures and Requirements

1. Purpose. To implement references (a) through (h) for NAVFACENGCOM, and to assign responsibility and accountability for the effective operation of the Command Evaluation (CE) and Management Control (MC) Programs. This is a complete revision and should be read in its entirety.

2. Cancellation. NAVFACINST 5000.14A.

3. Background

a. References (a) through (c) establish policy and guidelines for the CE Program to ensure that an independent local assessment capability is available to each Commander/Commanding Officer/Director (Activity Head). The CE Program is an independent in-house assessment designed to assist the Activity Head in improving mission accomplishment and assessing the efficiency and integrity of command functions to ensure economical use of resources. The CE function shall be maintained by each command, whether full or part time, and shall have independence to ensure impartiality. Each Activity Head has the flexibility to tailor the CE function to the needs of his/her local command.

b. References (d) through (g) establish policy and guidelines for the MC Program. The MC Program directs that Activity Heads and managers be responsible for ensuring resources under their purview are used efficiently and effectively, and that programs and operations are discharged with integrity and in compliance with applicable laws and regulations. The MC Program is one tool available to assist Activity Heads and managers in their daily duties. Command Evaluation reviews, inspections, audits, and investigations are other available tools.

4. Scope. This instruction applies to NAVFACENGCOMHQ and component commands.

5. Definitions

a. Command Evaluation (CE) - a function that involves conducting reviews, studies, analyses, or evaluation of command or activity operations. It is an in-house method (directed by the Activity Head) used to detect deficiencies, improprieties, or inefficiencies, and is intended to provide recommendations to correct conditions that adversely impact mission accomplishment, command integrity, or economical use of command resources.

b. Management Control (MC) Program - the organizational structure, operating procedures, and administrative practices adopted by all levels of management to provide reasonable assurance that programs and administrative activities are effectively carried out. The MC Program provides a framework to ensure accomplishment of the command's mission by focusing attention on achieving objectives through sound, controlled processes, and to ensure that resources are protected from fraud, waste, abuse, and mismanagement.

c. Assessable Unit - any organizational, functional, programmatic, or other applicable subdivision capable of being evaluated by management control assessment procedures. An assessable unit should be a subdivision of an organization that ensures a reasonable span of management control to allow for adequate analysis. Reference (h) lists NAVFACENGCOM-wide assessable units.

d. High-Risk Assessable Unit - an assessable unit that has high potential to cause significant disruption to the achievement of the command's mission. In the extreme, an unmitigated risk could result in mission failure.

e. Internal Controls - activities that help ensure that risks are mitigated to the maximum extent possible. Examples of controls are audits, reviews, performance measures, access restrictions, documentation, timely recording, variance analysis (e.g., for budgeting activities), etc. When appropriate internal controls are in place, actual risk to the command from high-risk assessable units is minimized; therefore, identification and implementation of controls are key to management control.

f. Management Control Certification Statement - a statement that reports on whether the management controls in place at a command/activity are achieving their intended objectives and are in compliance with applicable laws and regulations. The statement summarizes the command's Management Control Program accomplishments, identifies new material

weaknesses, including the plans to correct them, and updates the status of prior period weaknesses.

g. Material Weakness - specific instances of noncompliance of such importance that would require reporting of the deficiency to the next higher level of command management. Such weaknesses can significantly impair the fulfillment of the command's mission or operational objectives.

h. Risk Assessment - a documented review by management of an assessable unit's susceptibility to fraud, waste, and/or mismanagement. Management evaluates the general control environment, analyzes the inherent risks, and arrives at a preliminary assessment of the safeguards for the assessable unit.

i. Self-Assessment - a self-evaluation of a command and its effectiveness to carry out its mission and to identify performance process improvement.

j. Statement of Assurance - a statement issued by Echelon I and II organizations to the Secretary of the Navy (via the Assistant Secretary of the Navy Financial Management and Comptroller) that certifies whether management controls are in place and effectively working, along with identifying new and prior material weaknesses, and plans to correct them. The statement is supported by the annual certification statements received from the Echelon III and IV commands.

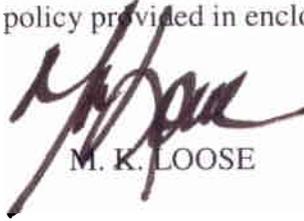
## 6. Policy

a. The CE and MC Programs are NAVFACENGCOCM-wide programs. As directed by references (a) through (h), each Activity Head shall establish effective CE and MC Programs. The CE and MC Programs are excellent tools for the Activity Head to internally evaluate programs to ensure funds, personnel, equipment, and other resources are employed effectively, securely, economically, and within legal and administrative constraints. Broad oversight for effectiveness of the CE, MC, and related programs will be provided by the Command Evaluation Officer, NAVFACENGCOCMHQ. Validation of NAVFACENGCOCM component command programs will be performed during scheduled command inspections per reference (h).

b. The CE and related functions addressed in this instruction shall be independent of operational responsibilities and able to cross organizational lines within the activity. The CE function will be placed in a direct staff relationship to the Activity Head. If this is not practical, the function should be assigned to the Vice Commander or Executive Officer. The CE staff shall not perform operational tasks (e.g., cash accounts, inventory counts, etc.) unless they are part of the overall scope of a review. A recommended procedure to provide the Activity Head necessary oversight for such operational task is to establish a CE Review Board under the direction of the CE office to conduct such reviews. This will allow the CE staff to review and evaluate more complex functions. In addition, the CE staff may be directed by the Activity Head to perform quick reaction reviews, which are normally unprogrammed and geared to prevent serious problems from developing.

c. The MC function is managed by the Management Control Program (MCP) Coordinator for the command. The MCP Coordinator may or may not reside in the CE function, and is responsible for ensuring that all the MCP requirements are met.

7. Action. Activity Heads are responsible for implementing the CE and MC Programs within their commands and are accountable for the assurance of an effective program. NAVFACENGCOMHQ staff, component commands, and activities shall implement the requirements, standards, and additional policy provided in enclosures (1) and (2).



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## COMMAND EVALUATION PROGRAM PROCEDURES AND REQUIREMENTS

### 1. Staffing

a. The head of the Command Evaluation (CE) office should be professionally qualified to manage the function and have knowledge of management control review techniques and accounting standards and practices. Recommended occupational series for the CE position are 301, 343, 345, 501, 510, and 1800. The person may be assigned permanently or part-time, depending on the size of the command, complexity of operations, and the type of reviews to be performed. Full-time CE personnel do not perform operational tasks. Part-time CE personnel may perform operational tasks only after ensuring that provisions are made to maintain independence and objectivity in all review matters. The reviewer must be prohibited from conducting reviews in his/her assigned areas. Temporary augmentation of the CE staff by military or civilian functional experts from within the command is encouraged whenever specific expertise is required to accomplish an evaluation. The mission, size, and complexity of the operations and the types of evaluations and reviews to be performed in the command determine CE function staffing requirements.

b. Commanding Officers should ensure that CE personnel are provided adequate training to maintain and enhance their professional skills and capabilities. Such training should include courses, seminars, and workshops that provide techniques for conducting reviews, studies, and evaluations, as well as technical training related to the command's overall mission (e.g., contracting, real estate, environmental, etc.). Membership and participation in professional associations are encouraged and should be supported. Payment for licenses and certifications and their subsequent renewals may be authorized at the discretion of the command. Refer to policy for payment of expenses concerning academic degrees and professional credentials.

### 2. Conduct Reviews, Studies, Analyses, or Evaluations of Local Financial and Management Resources

a. Reviews shall be conducted, as requested by the Commanding Officer, to evaluate the overall economy, efficiency, and integrity of command functions. The scope of the reviews should include a determination of effectiveness of operations, compliance with established policies and procedures, reliability of records and reports, and the validity of supporting documentation.

b. Reviews shall take into consideration the implementation of internal controls (i.e., Management Control Program) and be alert to integrity and efficiency weaknesses that could cause potential fraud, waste, and abuse. Reports will provide an assessment of the adequacy of internal controls.

c. The report at a minimum shall include an executive summary, the discussion with pertinent background information, and any findings and recommendations. The report should address the performance observed during the review. Reports identifying deficiencies should address the finding (cause and effect), a discussion supplying pertinent facts and supporting

information, and a recommendation(s) that is workable and efficient to correct the deficiency. Recommendations may cross organizational lines as appropriate to ensure all deficiencies are corrected. The recommendations should provide suggestions that would include developing additional internal controls or strengthening weak internal controls. Reports will also identify all monetary benefits resulting from the review. Potential monetary benefits are funds that can be put to better use for collections, budgetary reductions, or cost avoidance.

d. Written reports, which are prepared and signed by the CE, shall be provided via the Commanding Officer or Executive Officer to the appropriate manager within the command. The responsible manager has 30 days from the receipt of the report to concur or nonconcur with the recommendations. If the manager concurs, then he/she must state the corrective action to be taken and the estimated completion date for the action. A nonconcurrency with a recommendation requires a manager to state the reason. In accordance with reference (b), the CE must track all open recommendations until completion to ensure implementation of the corrective action.

e. During NAVFACENGCOSMHQ-scheduled inspections, the NAVFACENGCOSMHQ CE officer (IG2) will review component command's final review reports to determine if follow-up action has been completed on all open recommendations.

### 3. Provide Liaison for External Audit and Investigative Agencies

a. The CE staff at headquarters and the activity level shall be assigned responsibility as the focal point for audit and investigative liaison (e.g., GAO, NAVAUDSVC, DODIG, NCIS, FBI, DCIS) and coordination for command responses.

b. All NAVFACENGCOSMHQ component audit responses must be forwarded to Headquarters Inspector General Office (IG) for review and distribution to external agencies.

c. The Command CE shall advise NAVFACENGCOSMHQ IG of any external audit or investigative activity involving his command to ensure chain of command awareness.

### 4. Establish Audit Follow-up Procedures

a. The Office of Command Evaluation is the central focal point for all audit follow-up procedures. The cognizant Commanding Officer is responsible for ensuring that deficiencies noted in audits are promptly corrected and recommendations are implemented. The CE is responsible for follow-up on all recommendations until they are completed. Reference (c) addresses policy with respect to audit follow-up.

b. The CE is responsible for performing the following external audit follow-up procedures:

(1) Follow-up status on open recommendations contained in the final audit reports received from external audit agencies (GAO, DODIG, NAVAUD, and NAVIG) shall be reported directly to NAVFACENGCOSMHQ (Code IG2) within 15 days after the following actions:

- Target date for implementation of a recommendation.
- Revision of target dates when original date cannot be met.
- Modification of previously agreed to actions.

(2) Maintain a tracking system to identify and monitor the status of actions on external open audit recommendations through completion.

(3) Identify and track all recommendations that address monetary benefits.

(4) Perform on-site follow-up reviews to determine implementation of recommendations.

5. Accessibility to Documents. Reports are considered internal management documents. External release of reports and documents should be coordinated with NAVFACENGCOMHQ (IG2) prior to release. Guidance for release of documents is provided in the following instructions:

- SECNAVINST 5740.26B
- SECNAVINST 5740.25D
- SECNAVINST 7510.7E
- SECNAVINST 5430.57F
- SECNAVINST 5720.42F

## MANAGEMENT CONTROL PROGRAM PROCEDURES AND REQUIREMENTS

1. Staffing. The Management Control Program (MCP) is managed by the MCP Coordinator. Each command is required to designate a MCP Coordinator. In accordance with references (d) through (g), the MCP Coordinator is responsible for the following roles and responsibilities:

- Establish and maintain an inventory of assessable units.
- Ensure managers complete a self-assessment for each assessable unit.
- Continuously monitor and improve the effectiveness of management controls associated with their command.
- Identify those assessable units that are high-risk areas.
- Identify and establish internal controls for high-risk areas and any other appropriate functions.
- Ensure risk assessments and reviews are performed on high-risk areas.
- Ensure that corrective actions are taken in areas where weak controls are identified.
- Provide training to managers concerning their MCP duties.
- Prepare a Management Control Plan annually.
- Prepare an annual Management Control Certification Statement/Statement of Assurance, identifying material weaknesses.
- Report only those material weaknesses that require reporting up the chain of command.
- Weaknesses that do not warrant reporting up the chain of command shall be tracked at the command or activity level.

2. Developing an Inventory of Assessable Units. The MCP Coordinator at each NAVFACENGCOC component command is responsible for developing and maintaining a list of assessable units. A list of NAVFACENGCOC-wide assessable units is published in reference (h) and shall be used by all MCP component command coordinators to develop their lists. These assessable units represent the business and support line functions that are evaluated during on-site command inspections conducted by the NAVFACENGCOCMHQ Inspector General. Component command MCP Coordinators shall select those assessable units from the list that relate to their particular command and document them as their list of assessable units. Sub-assessable units may be added to identify and cover those areas that may be command specific.

3. Determining and Evaluating High-Risk Assessable Units. High-risk assessable units are usually associated with two sources: (1) major business/support lines; and (2) problems identified with audits, investigations, inspections, hotlines, self-assessments, and exposed media issues. High-risk assessable units associated with the business/support lines are usually determined before the fact, whereas high-risk assessable units associated with problems and weaknesses are determined after the fact. Major business/support line assessable units can be defined as those units that are essential to achieving the mission of the command. In order to determine which assessable units are high risk, the following is a suggested process that may be followed:

- Determine the assessable units that affect the mission of the command and those that have been identified as problem areas as a result of audits, investigations, inspections, hotlines, etc. These assessable units can be identified as high-risk assessable units.
- Evaluate the assessable units identified as high risk and being essential to the command mission to identify the internal controls that are in place. Internal controls, such as audits, reviews, performance measures, and timely recording, are activities that help to mitigate a risk. When appropriate internal controls are in place, actual risk to the command from high-risk assessable units is minimized. Test these internal controls to see if they are effective and will prevent mismanagement or abuse of command resources. If the internal controls are effective in preventing misuse of resources, then they satisfy the MCP requirement of mitigating the risk. If the internal controls do not mitigate the risk, then there will be a need to establish new internal controls or strengthen the existing ones. When establishing new internal controls, perform testing to ensure controls are effective in protecting the command's resources.
- Evaluate the assessable units identified as high risk and surfacing as a result of audits, investigations, inspections, hotlines, self-assessments or exposed media issues to determine and identify any weaknesses. Establish new internal controls or strengthen existing ones to correct the weaknesses identified. If new internal controls are established, then testing of these controls is needed to see if they are effective in protecting the command's resources.

#### 4. Developing a Management Control Plan

a. The command Management Control Plan is a brief, written plan that indicates the number of scheduled and accomplished management control evaluations, the identity of assessable units, progress toward accomplishment of annual program requirements, the method of monitoring and evaluating, and the date the evaluations were completed. The Management Control Plan need not be lengthy, as long as it addresses management control evaluations throughout the organization and conveys, with reasonable certainty, an awareness that the objectives of the Management Control Program are being accomplished. See sample plan in attachment (A).

b. The Management Control Program Coordinator is responsible for developing and monitoring the Management Control Plan for the command. The plan is to be updated annually, with a copy provided to NAVFACENGCOS (IG2) no later than 1 July each year.

(1) The sample plan in attachment (A) identifies the format for developing a Management Control Plan and meets the requirement as established in Federal Managers' Financial Integrity Act (FMFIA) and SECNAVINST 5200.35D. The objective of this plan is to identify and evaluate those assessable units that the command considers to be high risk and determine if there are any weaknesses.

(2) If weaknesses are identified, they should be documented in the plan, along with the date this information was forwarded to the appropriate manager or department head. Managers responsible for these high-risk areas must evaluate the assessable unit to determine and identify the internal controls, test the controls to see if they are effective and working, and determine if

current controls need strengthening or additional controls are needed. Managers must document and keep on file information that supports the testing of these controls.

c. External audit agencies (GAO, DODIG, and NAVAUD) will request documentation to support the testing of internal controls when evaluating the command's Management Control Program. Evaluation of high-risk assessable units identified in the Management Control Plan, during a command inspection or audit meets the requirement of testing controls, as long as the inspection or audit was conducted within a 12-month period. The "type of evaluation" column on the Management Control Plan will identify the inspection or audit that was conducted covering that particular assessable unit.

5. Management Control Certification Statement. The Management Control Certification Statement indicates whether internal administrative and accounting controls within the command provide reasonable assurance that (1) programs achieve their intended results; (2) resources are used consistent with the Department of the Navy and command mission; (3) programs and resources are protected from waste, abuse, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is obtained, reported, and used for decision making.

a. The certification statement shall be signed ("certified") by the Commanding Officer and provide an assessment as to whether there is reasonable assurance that the command management controls are in place and operating effectively. The certification statement shall represent input from all the departments within the command. Reference (g) provides the format for developing the Annual Management Control Certification Statement and reporting material weaknesses. When reporting material weaknesses, report only those instances of noncompliance of such importance so as to warrant reporting of the deficiency to the next higher level in the chain of command.

b. The MCP Coordinator is responsible for submitting the signed Annual Management Control Certification Statement to NAVFACENGCOMHQ (IG2) no later than 1 July each year.

(DATE)

(SAMPLE)  
**MANAGEMENT CONTROL PLAN**  
 (Command Name)

Assessable Unit	Type of Evaluation	Frequency	Date(s) Scheduled	Date(s) Completed	Weaknesses Identified?		Communication of Results	
					Yes	No	Date	To Whom?
Financial Operations	Internal Review Performed by Team Leader	Quarterly	1/31/02 4/30/02 7/31/02 10/31/02	1/31/02 4/30/02	X - Problem Disbursements		2/1/02	Director, FMO