



UNITED STATES MARINE CORPS
2D MARINE AIRCRAFT WING
II MARINE EXPEDITIONARY FORCE
POSTAL SERVICE CENTER BOX 8050
CHERRY POINT, NC 28533-0050

WgO 5200.24
COMPT
MAR 10 2011

WING ORDER 5200.24

From: Commanding General, 2d Marine Aircraft Wing
To: Distribution List

Subj: MANAGERS' INTERNAL CONTROL PROGRAM (MICP)

Ref: (a) OMB Circular A-123
(b) DOD Instruction 5010.40
(c) SECNAV M-5200.35
(d) MCO 5200.24D

Encl: (1) Appointment Letter Example
(2) Sample Statement of Assurance
(3) Categories for Reporting Material Weaknesses
(4) Definitions

1. Situation. This order establishes the MICP for 2d Marine Aircraft Wing (2d MAW).

a. In accordance with the references, commanders are responsible for ensuring that resources under their purview are managed efficiently and effectively and that: programs and operations are discharged with integrity; programs comply with applicable laws and regulations; the potential for fraud, waste, mismanagement and negative public opinion is minimized. Effective internal controls provide reasonable assurance that weaknesses in the process can be prevented or detected early enough to mitigate and prevent an adverse impact on 2d MAW.

b. The application of internal controls and the MICP are applicable to all functional areas of an organization (financial and non-financial). Maintenance and documentation of effective and efficient internal control systems is a primary management responsibility, and is inherent to command.

c. Commander's may identify weaknesses in their internal controls over program, operational, or administrative areas through a variety of sources such as audits, command

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inspections, investigations, management assessments, staff meetings, and Internal Control assessments.

2. Mission. 2d MAW executes a comprehensive MICP to comply with higher directives and to ensure the effectiveness of operations. 2d MAW MICP is comprised of two distinct processes that provide a reasonable assurance that effective and efficient internal controls are in place.

a. Internal Controls Over Nonfinancial Operations (ICONO)

The ICONO process is a bottom-up process through which Commanding Officers from each group, squadron, and staff section must annually submit to the 2d MAW Commanding General a Statement of Assurance (SOA) on the effectiveness of internal controls over all functions, programs, and operations under their authority. Cooperate fully with the Assistant Chief of Staff (AC/S) Comptroller to identify, document and test internal controls in order to assess the functions, programs, and operations under your authority. Additionally, Corrective Action Plans (CAPs) for resolving internal control weaknesses identified during the process must be prepared, documented, and tracked.

b. Internal Controls Over Financial Reporting (ICOFR)

ICOFR is a top-down program driven by targeted line items on the Marine Corps' financial statements. Each group and the headquarters squadron must maintain and provide supporting documentation for each financial transaction tested during this process. No SOA is required.

3. Execution

a. Commander's Intent. Establish and maintain an effective internal control and management process in order to carry out 2d MAW operational responsibilities while ensuring efficiency of operations and compliance with all laws and regulations. This means that 2d MAW knows what it is supposed to do (mission), who is responsible for doing it (accountability), how to properly do it (regulations and procedures), and whether it is being done as required (compliance).

b. Concept of Operations. The MICP requires the active involvement of subordinate commanders, 2d MAW staff sections and

Marine Wing Headquarters Squadron 2 (MWHS-2). The AC/S Comptroller will assume the lead on this program and will provide requisite training to 2d MAW commands and staff sections in order to ensure all reporting requirements are accomplished. 2d MAW commands and staff sections will designate a section Internal Control Coordinator (ICC) to serve as a liaison and Point of Contact (POC) for this program. The ICCs will inventory all areas of responsibility, analyze risk, develop controls to mitigate identified risk, conduct evaluations and test controls, and document accomplishments. Each group and headquarters squadron will ensure the ICC is available for training and coordination throughout the year appointed. Training will be accomplished in accordance with the references and scheduled via the program coordinator. Reviews and testing of assessable units will be conducted annually and reported to higher headquarters in accordance with the references.

(1) Tasks and Responsibilities. Commanding Officers, Primary, and Special Staff Sections Heads:

(a) Develop and maintain effective internal controls over the functions, programs, and operations under your authority.

(b) Ensure programs operate optimally and use resources efficiently and effectively.

(c) Develop your MICP and integrate basic internal controls in the strategies, plans, guidance, and procedures governing all functions, programs, and operations within the realm of your authority.

(d) Submit ICONO to the Commanding General, 2d MAW annually a SOA (for the SOA reporting period beginning 1 July and ending 30 June) on the effectiveness of internal controls over all the functions, programs, and operations under their authority. Enclosure (1) provides a sample of and instructions to complete the SOA and all required enclosures.

(e) ICOFR, maintain supporting documentation for all financial transactions. As directed, provide the AC/S Comptroller all

requested supporting documentation of financial transactions tested by HQMC.

(f) Develop, execute, track, and report on CAPs to mitigate any identified internal control weaknesses in functions, programs, or operations under your authority.

(g) Maintain records created as a part of ICONO and ICOFR for six years and three months.

(h) Appoint an ICC and an alternate, which must be an Officer or Staff Non-Commissioned Officer (SNCO), for your command and Assessable Unit (AU) managers for all staff sections to manage your program. AU managers continuously monitor and improve the effectiveness of internal controls associated with their programs, and annually report the effectiveness of their internal controls through the ICONO process. Per the references, appointees must complete Department of the Navy Manager's Internal Control (DON MIC) Program Training for Coordinators, which is available at Navy e-Learning or Navy Knowledge Online.

(i) Ensure that military and civilian personnel responsible for ICONO oversight are identified and that the respective fitness report or performance appraisal system reflects internal control responsibilities, accomplishments, deficiencies and corrective actions undertaken and completed.

(j) Identify to AC/S Comptroller all appropriate POC's, primary and alternate, for planning, coordinating and implementing the ICONO. Ensure all identified personnel are available throughout the reporting period.

(2) AC/S Comptroller

(a) Function as the 2d MAW ICC. You may appoint an Alternate ICC that will reside within the Resource Evaluation and Analysis Section.

(b) Manage the command's MICP.

1. Develop policy and procedures.
2. Provide oversight of program implementation.
3. Serve as the command's focal point inside and outside of 2d MAW for all matters pertaining to the 2d MAW MICP.
4. Prepare (annually) the Commanding General's SOA and results of internal control submissions to II Marine Expeditionary Force (II MEF).
5. Track and perform follow-up on all 2d MAW reportable conditions and material weaknesses to II MEF.
6. Ensure training is provided.

(3) 2d MAW Inspector General

(a) Evaluate compliance with this Order during inspections and investigations.

(b) Identify major internal control accomplishments and weaknesses during the conduct of inspections and investigations.

4. Administration and Logistics

a. Administration. AC/S Comptroller will publish annual guidance and timelines for submission of all SOAs.

b. Logistics. AC/S Comptroller will maintain historical records for all 2d MAW submissions for six years and three months. Enclosures (1) through (6) are required to be submitted with the SOA but it is recommended that units submit enclosures (7) and (8) for safeguarding in 2d MAW's permanent file.

5. Command and Signal

- a. Command. This Order is applicable to all of 2d MAW.
- b. Signal. This Order is effective the date signed.



J. M. Davis

APPOINTMENT LETTER EXAMPLE

WgO 5200.24

MAR 10 2011



UNITED STATES MARINE CORPS
(UNIT HEADING)

5200
ORIG
Date

From: Commanding Officer, (UNIT)
To: Rank First MI Last Name XXX XX 1111/MOS USMC
Subj: (ALTERNATE) OR MANAGEMENT INTERNAL CONTROL PROGRAM
COORDINATOR
Ref: (a) OMB Circular A-123
(b) DOD Instruction 5010.40
(c) SECNAV M-5200.35
(d) MCO 5200.24D
(e) WgO 5200.24

1. In accordance with the references, you are hereby appointed as the Internal Control Program Coordinator for Unit. Your responsibilities are as follows:

a. As the Internal Control Coordinator, you are responsible for establishing and maintaining an effective Marine Corps Internal Control Program within (your Unit) to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). Also, you will need to meet the program timelines and prepare the annual Statement of Assurance for submission to the Commanding General through the 2d MAW AC/S Comptroller, per the references and any additional guidance that may be required by HHQ.

b. In addition, you must become thoroughly familiar with your responsibilities and accountability as outlined in the references. You must acknowledge this appointment and that you have read and understand your responsibilities and requirements. Per the references, you are required to complete DON MIC Program Training for Coordinators which is available at Navy e-Learning or Navy Knowledge Online. This training must be completed within 30 days of appointment.

Enclosure (1)

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Subj: (Alternate) OR MANAGEMENT INTERNAL CONTROL PROGRAM
COORDINATOR

2. This appointment will terminate when you are relieved of duties, reassigned or leave the unit. A new Coordinator will need to be assigned to ensure continuity within the unit and program is maintained.

Signature
I. M. THECO

Enclosure (1)

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UNITED STATES MARINE CORPS
(UNIT HEADING)

5400
ORIG
Date

From: Rank First MI Last Name XXX XX 1111/MOS USMC
To: Commanding Officer, (UNIT)

Subj: ACKNOWLEDGEMENT OF APPOINTMENT OF (Alternate) OR
MANAGEMENT INTERNAL CONTROL PROGRAM COORDINATOR

Ref: (a) OMB Circular A-123
(b) DOD Instruction 5010.40
(c) SECNAV M-5200.35
(d) MCO 5200.24D
(e) WgO 5200.24

1. In accordance with the references, I hereby acknowledge my appointment as the (Alternate) or Management Internal Control Program Coordinator. I have read and understand my responsibilities in performing those duties as described in the references.

Signature
I. M. MARINE

Enclosure (1)



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SAMPLE STATEMENT OF ASSURANCE
[Command's Letterhead]

5200
ORIG
DATE

From: Commanding Officer, Long title of unit
To: Commanding General, 2d Marine Aircraft Wing

Subj: MANAGERS' INTERNAL CONTROL STATEMENT OF ASSURANCE
FOR ADMINISTRATION AND OPERATIONS (SOA)

Ref: (a) OMB Circular A-123
(b) DOD Instruction 5010.40
(c) SecNav M-5200.35
(d) MCO 5200.24D
(e) WgO 5200.24

Encl: (1) Accomplishments
(2) Listing of Material Weaknesses
(3) Uncorrected Material Weaknesses
(4) Corrected Material Weaknesses
(5) List of Assessable Units
(6) Managers' Internal Control Plan

1. As the Commanding Officer/AC/S or Principal Staff Officer of (your unit), I recognize that Marine Corps managers are responsible for establishing and maintaining effective internal controls to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). In accordance with references (a) through (d), we evaluated the system of internal controls in effect during the 12-month period ending 31 May 2XXX by completing XXX internal control assessments. For the 12-month period ending 31 May 2XXX, we plan to complete XXX internal control assessments.

2. This paragraph should be one of the following statements: I have an unqualified statement of assurance that internal controls are in place and operating effectively (a reasonable assurance with no material weakness reported); or I have a qualified statement of assurance that internal controls are in place and operating effectively with the exception of the following

Enclosure (2)

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Subj: MANAGER'S INTERNAL CONTROL STATEMENT OF ASSURANCE FOR
ADMINISTRATION AND OPERATIONS (SOA)

material weaknesses: (a reasonable assurance with exception of one or more material weakness(es) noted); or I have a statement of no assurance that internal controls are in place and operating effectively (no reasonable assurance because no assessments were conducted or the noted material weaknesses are pervasive).

3. Enclosure (1) includes internal control accomplishments for the reporting period.

4. Material weaknesses, reportable conditions and items to be revisited are described in enclosure (2) through (4). Enclosure (2) is a list of material weaknesses and reportable conditions that still require senior management attention and timely corrective action, as well as those corrected during the reporting period. Enclosure (3) provides an individual narrative for each uncorrected weakness and reportable condition listed in enclosure (2). Enclosure (4) is an individual narrative for each material weakness and reportable condition corrected during the reporting period.

5. Information to support this certification was derived from management reviews, audits, inspections, lower level subordinate commands' Managers' Internal Control certification statements and other management information, including knowledge gained from daily operations and functions.

6. The Managers' Internal Control program point of contact is xxxxxxxxxx at XXX-XXX or email xxxxxxxxxx@xxxx.mil.

XXXXXXXXXXXXXXXXXXXX
CO/Principal Staff

Enclosure (2)

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Sample

Enclosure 1 (Accomplishments) shall include a brief summary of the most significant accomplishments and actions taken by the command/staff section during the reporting period to strengthen internal controls. The accomplishments shall be ordered with the most significant accomplishment listed first.

1. Enclosure (1) Example

Title:

Testing of Internal Controls for Real Property

Description of Issue:

Office of the Secretary of Defense (Comptroller) and the Assistant Secretary of the Navy (Financial Management & Comptroller) required the Marine Corps to test the internal controls at the field level over Real Property.

Description of Accomplishment:

The Marine Corps tested internal controls over Real Property at all the commands with comptroller organizations. Command Real Property managers conducted risk assessments and the command's Resource, Evaluation and Analysis personnel created individualized testing plans and conducted control assessments. The results of the test were provided to the Marine Corps Real Property manager to evaluate the test results. The Real Property manager determined that the test results did not indicate the presence of material weaknesses in Real Property.

Functional Category:

Property Management

Point of Contact:

Mr. John Doe, HQMC (Code LFF-2), (703)614-8000,
john.doe@usmc.mil.

Approver:

Ms. Jane Doe, HQMC LF Director

Enclosure (1)

Enclosure (2)

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SAMPLE

Enclosure 2 of the SOA (Listing of Material Weaknesses to be Revisited; Uncorrected and Corrected). Enclosure (2) serves as a table of contents and clear listing of the titles of all uncorrected and corrected Material Weaknesses (MW). This enclosure consists of three parts as shown in the format/example following:

INPUT COMMAND

Listing of Material Weaknesses and Reportable Conditions
1 Jun XX-31 May XX

UNCORRECTED MATERIAL WEAKNESSES AND REPORTABLE CONDITIONS
IDENTIFIED THIS REPORTING PERIOD

Title	Weakness Type	Targeted Completion Date	Documentation
TITLE OF MATERIAL WEAKNESS OR REPORTABLE CONDITION	MW/RC	3rd Quarter, 2011	Encl (3)
N/A	N/A	N/A	N/A

UNCORRECTED MATERIAL WEAKNESSES AND REPORTABLE CONDITIONS
IDENTIFIED DURING PRIOR PERIODS

Title	Weakness Type	Year First Reported	Corrective FY Per Last Statement	Corrective FY Per This Statement	Documentation
N/A	N/A	N/A	N/A	N/A	N/A

CORRECTED MATERIAL WEAKNESSES AND REPORTABLE CONDITIONS
DURING THIS PERIOD

Title	Weakness Type	Year First Reported	Documentation
TITLE OF CORRECTED MATERIAL WEAKNESS OR REPORTABLE CONDITION	MW/RC	2010	Encl (4)
N/A	N/A	N/A	N/A

Note:

IR=Issue to be Revisited MW=Material Weakness RC=Reportable Condition

Enclosure (2)

Enclosure (2)

SAMPLE

Enclosure 3 of the SOA (Uncorrected Material Weaknesses to be Revisited). Enclosure (3) contains a narrative documentation for each uncorrected material weakness (MW) reported in enclosure (2). Uncorrected material weaknesses from prior reporting periods should be updated to reflect current information.

1. General rules. When completing documentation for each material weakness, the following rules apply:

a. Do not exclude sections. If a section is not applicable, then annotate as N/A following the heading.

b. Spell out acronyms the first time they are used in each individual material weakness narrative.

c. Narratives should be succinct, void of technical jargon, and easy for the general reader to interpret.

2. Enclosure (3) Format

Title: Same short title appearing in enclosure (2).

Description of Issue: Confine the weakness description to three or four sentences if possible.

Functional Category: Indicate one of the 16 functional categories contained in MICP WgO enclosure (2).

Weakness Type: "Material Weakness" or "Reportable Condition."

Justification: Indicate justification that applies for materiality consideration—refer to MCO 5200.24D.

Command: Indicate Command reporting the weakness.

Senior Accountable Official: Identify the name and title of the senior official in charge of ensuring this weakness is resolved according to the proposed corrective action plan.

Year Identified: Fiscal year of the annual Statement of Assurance in which command first reported the weakness.

Enclosure (3)

Enclosure (2)

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SAMPLE

Original Targeted Correction Date: Quarter and fiscal year of the targeted correction date as first reported.

(Command must show both the Quarter and Fiscal Year, e.g, 1st Qtr, FY 2006, 1st Qtr, FY 2006, 2nd Qtr, FY 2007, etc.). If this is a new weakness, simply put "N/A".

Targeted Correction Date in Last Year's Report: Quarter and fiscal year of the targeted correction date as it was reported in the Command's prior year annual Statement of Assurance. If this is a new weakness, simply put "N/A".

Current Target Date: Quarter and fiscal year of targeted correction date per this statement of assurance.

Reason for Change in Date: If applicable, reason for change in quarter and fiscal year of Current Target Date from the Target Correction Date in Last Report. The reason for change should include a brief description of the impact (cost, operation) of any delay in correcting the weakness. If this is a new weakness, simply put "N/A".

Validation Indicator: Briefly indicate the methodology that the Command will use to certify the effectiveness of the corrective action(s) and the projected date that the certification will take place. In addition, indicate the role that the DOD Inspector General, 2D MAW Inspector General or the 2d MAW RE&A can or should play in verification of the corrective action.

Results Indicator: Describe key results that have been or will be achieved in terms of performance measures. Performance measures are quantitative and/or qualitative measures that determine the benefits derived or will be derived from the corrective action and the overall impact of the correction on operations. If monetary benefits can be determined, state that information here. NOTE: Specifically identify one or two defined performance measures, metrics or defined results that will be used to determine successful completion of the proposed remedial effort.

Enclosure (3)

Enclosure (2)

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Source(s) Identifying Weakness: Identify the source that identified the material weakness (e.g., MIC Program Evaluation; 2d MAW CGI; DODIG; Naval Audit Service; Government Accountability Office; etc.) When audit findings are the source of weakness identification, identify the title, number and date of the document in which the weakness was identified.

If the weakness was identified by more than one source, list all identifying sources in order of significance.

Completed Milestones (Progress to date): List major milestones in chronological order by milestone completion date.

Planned Milestones (Next Fiscal Year): List major milestones (with the exception of the fourth quarter) in chronological order by milestone completion date.

Planned Milestones (Beyond Next Fiscal Year): Begins with milestones in 4th quarter of next Fiscal Year (Jul-Sep). The terminal milestone is the final corrective action, and should either be or include the validation that the weakness is corrected.

Point of Contact: Enter the name and billet, telephone number and e-mail address of the official responsible for supporting the Senior Accountable Official in administering the implementation of corrective actions. [Recommend this POC be the Command's MIC POC in order to maintain visibility of any inquiries from outside the command.]

Notes: Additional remarks if necessary.

3. Enclosure (3) Example

2009 New Weakness

Title:

Marine Corps Governmental Purchases

Description of Weakness:

Enclosure (3)

Enclosure (2)

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SAMPLE

Auditors identified an internal control weakness that some Marine Corps personnel were not following established published internal controls for supporting governmental purchase documents issued by Marine Corps commands. Some purchase requests were not completely documented as required by management regulations to ensure that purchases were appropriate. This weakness could lead to a potential Anti-deficiency Act (ADA) Violation.

Functional Category:

Procurement and Contract Administration

Weakness Type:

Material Weakness

Justification:

There is a potential to cause an ADA violation of an appropriation.

Command:

Headquarters, Marine Corps

Senior Accountable Official:

Mr. Charles Dickens, Headquarters, United States Marine Corps

Year Identified:

2009

Original Targeted Correction Date:

1st Quarter, FY 2009

Targeted Correction Date in Last Year's Report:

N/A

Enclosure (3)

Enclosure (2)

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SAMPLE

Current Target Date:

1st Quarter, FY 2009

Reason for Change in Date:

N/A

Validation Indicator:

Validation of the implementation of the corrective milestones will be accomplished by an on-site verification.

Results Indicator:

Marine Corps Government Purchase documents will have adequate support and comply with purchase regulations.

Sources Identifying Weakness:

Department of Defense Office of Inspector General Draft Report
[insert number title and date]

Completed Milestones:

Marine Corps Forces Everywhere (MCFE) has updated local guidance and procedure to ensure purchase documents are managed correctly. This was completed Feb 2008. POC is Mr. Bill Marine, MARFOREEVERY. Marine Corps provided guidance on issuing requests for reimbursable work in Marine Corps Administrative Message (MARADMIN) number 276/08. This was completed 15 Feb 2008. A preliminary ADA investigator has been appointed to investigate alleged ADA violations identified in draft audit report. This appointment was completed 1 Apr 2008.

Planned Milestones:

Provide financial procedures training for reimbursable and non-DOD contracts to Marine Corps field commands. Estimated completion date is October 2008. A preliminary ADA is being performed on the alleged ADA violations identified in draft audit

Enclosure (3)

Enclosure (2)

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SAMPLE

report. Estimated completion date of preliminary investigation is October 2008. Verification will be provided by on-site visit. Estimated completion date is January 2009.

Point of Contact:

Mr. John Doe, Headquarters, United States Marine Corps (703) 614-4500), John.doe@usmc.mil.

Enclosure (3)

Enclosure (2)

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SAMPLE

Enclosure 4 of the SOA (Corrected Material Weaknesses to be Revisited). Enclosure (4) provides a narrative of the material weaknesses corrected in the current reporting period. The data elements are similar to the data elements in uncorrected material weakness format (Enclosure 3). Follow the same general rules for the uncorrected material weaknesses in completing this enclosure. For each corrected material weakness, the last completed milestone will describe the method used to validate the corrective action including a certification that the corrective action has resolved the weakness.

1. Enclosure (4) Format and Example

Title:

Supply Inventory Management

Description:

Marine Corps activities did not exercise necessary oversight to ensure the implementation and monitoring of subordinate commands' controls over Government furnished material/sponsored owned materials held at contractor sights, including interim supply support contractors, resulting in the Marine Corps maintaining excess material, incurring unnecessary storage costs and not fully realizing cash value from disposal of excess material.

Functional Category:

Supply Operations

Weakness Type:

Material Weakness

Component:

HQMC

Senior Accountable Officer:

Enclosure (4)

Enclosure (2)

SAMPLE

Capt Jane Doe, Deputy Director, Staff Agency, phone no., email address

Year Identified:

FY 2007

Original Targeted Correction Date:

4th Qtr FY 2007

Targeted Correction Date in Last Year's Report:

2nd Qtr FY 2008

Current Target Date:

4th Qtr FY 2008

Reason for Change in Target Date:

Deployed to OEF

Validation Indicator:

All corrective action(s) are certified by the responsible command upon completion and reviewed through on-site verifications, subsequent audits, inspections, quality assurance reviews, and/or management control evaluations.

Results Indicators:

Ninety-five percent of all Sponsored Owned Material (SOM) inventories are recorded and tracked correctly.

Source(s):

Management Internal Control Review

Completed Milestones (and additional progress actions to date):

Enclosure (4)

Enclosure (2)

SAMPLE

[List milestones here]

Planned Milestones-Next Fiscal Year:

N/A.

Planned Milestones-Beyond Next Fiscal Year:

N/A

Point of Contact:

Capt Jane Doe, jane.doe@usmc.mil, HQMC, 703 692-5000

Has this Prior Period Weakness Been Corrected?

Yes

Enclosure (4)

Enclosure (2)

SAMPLE

Enclosure 5 of the SOA (List of Assessable Units). Enclosure (5) identifies the functional areas within the assessable unit, as well as the responsible manager(s) for each.

1. General Information

a. Assessable units are designed to provide a reasonable span of control to conduct management control reviews. Assessable Units can be any organization, function, program, or subdivision capable of being evaluated by internal control assessment procedures. They must have clear limits or boundaries, be identifiable to a specific responsible manager. It must be small enough to provide reasonable assurance of adequate management controls but large enough that any detected material weakness may impact the mission of the organization.

b. Assessable units must constitute the entire organization. This means that the sum of the parts must equal the whole. Every part of the organization must be represented by one of the assessable units in the organization's inventory of assessable units.

c. The size and structure of assessable units will vary with the type of organization, mission, and risks associated with a command or activity. Each organization will customize their assessable units to ensure a reasonable span of control. See SECNAV M-5200.35 for the three spans of control that may be considered. Current guidance from HQMC has directed that assessable units will be reported in accordance with command structure.

d. An organization's inventory of assessable units shall be updated periodically to reflect changes within the organization. At a minimum, the inventory of assessable units shall include (a) the name of the assessable unit, (b) the responsible manager, and (c) functional category (use one of the 16 functional categories per DoD Inst 5010.40 dtd July 29, 2010 Reporting Categories contained in Encl 2).

Enclosure (5)

Enclosure (2)

Assessable Unit	Responsible Billiet	Senior AU Manager	Functional Category	Assessable Program	Guidance
ALD	ALD Maintenance Officer (252) 466-3478	Col ALD	Other	AIRCRAFT MAINTENANCE	COMNAVAIRFORIN ST 4790.2 w/ Ch-1
G-1	SNCOIC AAU (252) 466-5931	Col G-1	Force Readiness	Marine Corps Total Force System (MCTFS)	MCO 1080.33E, MCO 1080.39B, MCO 1080.40C, MCTFSAPSM
G-2	Air Combat/Intel (252) 466-2751	Col G-2	Force Readiness	Command and Control Warfare	MCO 3430.5A
G-3	MGSgt G-3 (252) 466-2341	Col G-3	Other	Physical Conditioning Program (CGI)	MCO P6100.12 W/CH 1
G-4	2d MAW Motor Transport Officer (252) 466-2338	Col G-4	Force Readiness	Licensing Programs	MCO 11240.66D
G-6	TeleComm Maintenance Chief (252) 466-7036	Col G-6	Force Readiness	Command and Control Warfare	MCO 3430.5A
WCOM	Aviation Budget Chief, (252) 466-4267	Lt Col COMPT	Comptroller/ Resource Management	Accountability Of Temporary additional duty (TAD) operating Target Funds	CINCLANTFLT INSTR. 7301.2G
WINS	2d MAW Inspector Chief (252) 466-3470	Mr. WINS	Force Readiness	MARINE CORPS INSPECTIONS PROGRAM	MCO 5040.6H
MED	2d MAW Wing Surgeon (252) 466-2785	Cdr MED	Support Services	Optimization of medical efforts including below.	MCRP 4-11.1E

Enclosure (5)

Enclosure (2)

SAMPLE

Enclosure 6 of the SOA (Managers' Internal Control [MIC] Plan). Enclosure (6), the MIC Plan, is an executive summary of the MIC program. The plan shall capture the command's approach to implementing an effective internal control program, and serve as the first resource MIC coordinators use to understand the command's program. This plan will assist in the transition from one MIC coordinator to another by establishing in writing how the organization is implementing the relevant guidance. New MIC coordinators and alternates shall use the MIC plan to learn the specific approach and vision of the MIC program within their organization.

1. Update and Identification of Key Elements. The MIC plan shall be updated as needed. The plan may take any form but must identify the following key elements:

a. The organization's senior official overseeing the MIC program, the MIC coordinator and the alternate MIC coordinator.

b. An overview of the MIC program as related to the GAO standards for internal control.

c. A description of risk assessment methodology.

d. A description of monitoring/internal control assessment methodology.

e. A description of how to develop and track corrective action plans.

f. MIC training efforts.

g. The date the plan was last updated.

2. Enclosure (6) Format. A MIC Plan guide is provided below and may be used to create the command's plan. The guide outlines the key information requirements for each section to provide assistance in developing a robust plan. The format presented in the guide is designed to meet the reporting requirements and to indicate how a command's program relates to the GAO five standards for internal control.

Enclosure (6)

Enclosure (2)

SAMPLE

MIC PLAN GUIDE

Organization Name

Managers' Internal Control (MIC) Plan

This plan is updated (indicate frequency, i.e., annually, quarterly, etc.)

Last Update: (Enter actual date of last update)

MIC Senior Official: (This person will sign the organization's certification statement). Identify the MIC senior official by name, title and position within the organization. Identify to whom the position reports. Indicate how the responsibility is assigned and how often the position changes staffing.

MIC Coordinator: Identify the MIC coordinator by name, title and position within the organization. Identify to whom the position reports. Indicate how the responsibility is assigned and how often the position changes staffing. Indicate if this is a full-time or part-time function.

Alternate MIC Coordinator: Identify the alternate MIC coordinator by name, title and position within the organization. Identify how the position reports to the Coordinator. Indicate how the responsibility is assigned and how often the position changes staffing. Indicate if this is a full-time or part-time function.

Overview of the Managers' Internal Control Program within the Organization: Address all five elements of the GAO standards: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring, and how they are being addressed within your organization. For each discussion area, if published information already exists, it is unnecessary to repeat it within the document. Instead, attach or reference the location and source of the relevant information, so it can be easily obtained.

Enclosure (6)

Enclosure (2)

SAMPLE

Control Environment

Mission: Identify your organization's mission-what your organization is working to accomplish.

Attach/Reference: location and/or copy of published mission statement.

Strategic Plan: Identify your organization's strategic plan.

Attach/Reference: location and/or copy of the Strategic Plan Organization Structure. Describe at a high level how your organization is structured-the hierarchy, functional divisions, programs, staffing, etc. Discuss how key areas of authority and responsibility are defined. Identify how lines of reporting are established. Identify the IC reporting chain of command within your organization. Identify the funding flow within your organization

Attach/Reference: Organization chart, DON organizational manual, chapters, pages, etc. Indicate the date of the chart and frequency of update.

Risk Assessment

Describe how your organization assesses the risks associated with accomplishing its mission. Is your organization performing risk assessments on operations, programs and administrative functions? (This section is simply a narrative overview of your risk assessment. The results of your risk assessment shall be included in the risk assessment documentation requirement.)

Control Activities

Describe the methodology of how control activities are identified and developed, the types of policies and documented procedures that are in place to explain and outline how to ensure the effectiveness of the controls.

Enclosure (6)

Enclosure (2)

SAMPLE

Information and Communication

Describe how your organization communicates information up and down the chain of command. Include information on the significant channels of communication, such as type of channel: e-mail, website, monthly reports, etc.; the typical subject matter; the target audience; and the frequency of the communication.

Monitoring Control Activities

Describe the major types and methods of monitoring activities/internal control assessment being performed by both internal and external entities. Include self-assessments, evaluations and risk assessments. Reference by assessable units, if different or applicable.

List the total number of scheduled internal control assessments for upcoming MIC year. (This information is needed for the annual MIC certification statement).

List the total number of completed internal control assessments for the previous MIC year. (This information is needed for the annual MIC certification statement).

Accomplishments

Describe how management tracks the organization's accomplishments. Include a discussion on the types of performance measures and indicators (i.e., specific metrics) your organization has established to measure progress in accomplishing its objectives and goals.

Corrective Action Plans: Include a brief description of your internal organization process (either manual or automated) for tracking progress against control deficiencies. This may currently be one of the functions of your internal Inspector General.

MIC Training: Provide a high-level overview of the training opportunities available within your organization.

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Indicate the minimum annual training requirements and how they are monitored. Reference databases, sources, etc.

Enclosure (6)

Reporting Requirements: Indicate the schedule for internal reporting and review times within your organization necessary to meet the DON SOA requirement.

Enclosure (6)

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Enclosure 7 of the SOA (Risk Assessment of Assessable Unit's Programs). Enclosure (7) identifies where a potential hazard exists that might prevent the organization from achieving its objectives. Though this enclosure is not required with the SOA submission, it is required to be maintained at the reporting level and will be reviewed during unit reviews and inspections of the internal control program.

1. General Information. The goal is to maintain risk assessment documentation that gives managers the information they need to establish and improve internal controls to provide reasonable assurance that management's objectives are achieved. Asking the following questions may help to identify risks within assessable units: What could go wrong in the process? What processes require the most judgment? What processes are most complex? What must go right for proper reporting? How could we fail to report accurately? How do we know whether we are achieving our objectives? Where are our vulnerable areas?

2. Three Types of Risk. Each assessable unit should be identified and documented in the risk assessment. The Government Accountability Office (GAO) identifies three types of risk (refer to Figure 1 below):

a. Inherent risk—the original susceptibility to a potential hazard or the original susceptibility of an assertion to misstatement, assuming there are no related specific control activities. An example would be human error in data entry of figures.

b. Control risk—the risk that a hazard or misstatement will not be prevented or detected by the internal control. For example, the control activity to prevent data entry error is to include a reconciliation total. The control risk is the risk that the reconciliation total will not prevent a misstatement.

c. Combined risk, also known as residual risk—the likelihood that a hazard or material misstatement would occur and not be prevented or detected on a timely basis by the agency's internal control. For example, combined risk remains if the transposition

Enclosure (7)

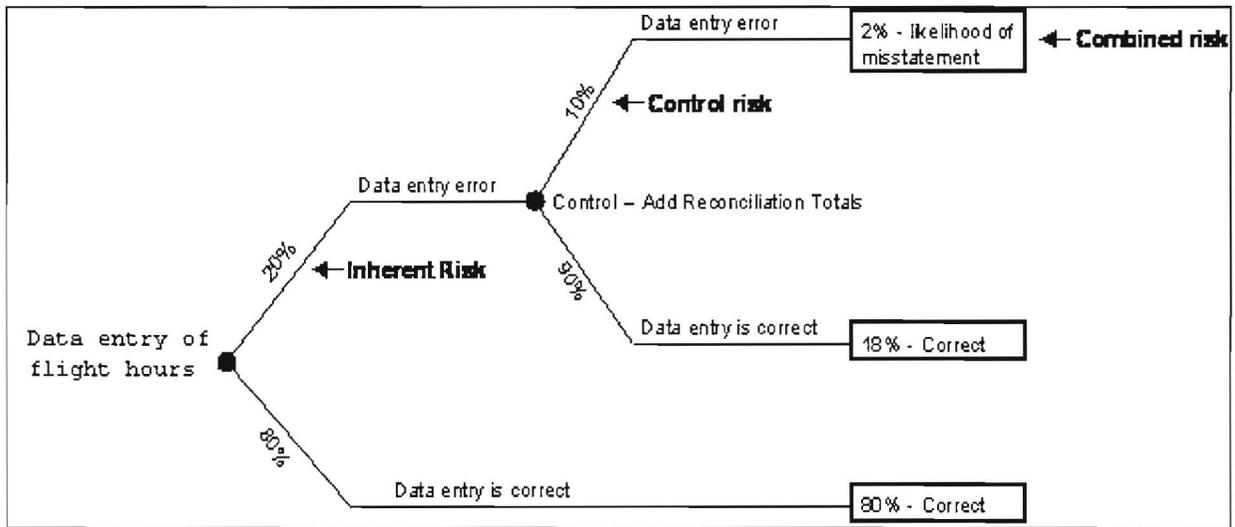
Enclosure (2)

SAMPLE

of numbers in the data entry process resulted in the total transactions matching the reconciliation total.

In this case, the reconciliation total would not mitigate the inherent risk. The risk that remains is known as the combined risk.

Figure 1



3. Enclosure (7) Format.

Assessable Unit's Program Risk Assessment Table

Assessable Program	Risk	Inherent Risk	Control Risk	Combined Risk	Internal Control currently in place
Note (1)	Note (2)	Note (3)	Note (4)	Note (5)	Note (6)

Notes:

1. Document the assessable program being evaluated. Remember, every assessable program will have at least one control point. In most cases, an assessable program will contain multiple control points, each of which should be included in the risk assessment.

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2. Identify the risk. (The approach to this process of identifying risks is to envision what could go wrong. What problems could arise that might hinder the objective?)
3. Identify the level of Inherent Risk as High, Moderate, or Low. If inherent risk is "High", stronger or more extensive controls to prevent or detect misstatements may be needed than if inherent risk is "Low."
4. Identify the level of Control Risk as High, Moderate, or Low. If Control Risk is determined to be "High" (i.e. controls have not been implemented or are not effective in either design or operation), there is no need to test the controls for that risk. Corrective action plans to address internal controls should be developed to mitigate the risk.
5. Identify the level of Combined Risk as High, Moderate, or Low.
6. Document the control currently being used by the organization to mitigate the risk described in (2) above.

Enclosure (7)

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Example

Assessable Program	Risk	Inherent Risk	Control Risk	Combined Risk	Internal Control currently in place
Manage M&S Spending Process- DSSC	Unauthorized Purchases	High	Low	Moderate	Only trained Authorized Approver reviews and approves purchase request after funds availability check. Validate purchaser against list of Authorized Purchasers. Validate receipt against previously approved shopping list against list of Authorized Purchasers. Validate receipt against previously approved shopping list
GTCC Program	GTCC can be misused by travelers for purposes other than official travel or the accounts may be mismanaged and become delinquent.	High	Low	Moderate	Directives require APCs to monitor 25% of all transaction activity to ensure cards are not being misused utilizing various management reports in Citibank's Custom Reporting System.

Enclosure (7)

Enclosure (2)

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Enclosure 8 (Internal Control Assessment of Assessable Unit's Programs)

1. General Information. Once internal controls are in place, management shall actively monitor those controls to ensure that they are functioning correctly and effectively mitigating the associated risk. Control assessments can include both an internal review of controls and evaluations from external organizations such as audit organizations or offices of inspector general.
2. Frequency of Internal Control Assessment. Assessable unit managers should conduct one internal control assessment for their assessable unit programs. The Internal Control Coordinator is required to report each year in their MIC Certification Statement the number of completed internal control assessments for the previous MIC year and the number of planned internal control assessments for the upcoming MIC year. This number generally should represent one internal control assessment per sub-assessable unit program.
3. Initial Assessment of Control Risk. During the risk assessment, controls will initially be rated as having a low, moderate, or high Control Risk. If a Control Risk is determined to be high, there is no need to test the control. The reason for not testing the controls labeled "high" is that those controls have not been implemented or are not effective in either their design or operation, and therefore must be improved. Develop corrective action plans for all controls that are rated as having high control risk.
4. Controls with Low or Moderate Control Risk. Controls with low or moderate control risk should be tested to see if the controls are effective. If the control is assessed to be ineffective, the control should be reclassified as having a high control risk. Develop corrective action plans for those controls that are reclassified as having a high control risk. Significant control deficiencies should be reported to the next higher level assessable unit as either a reportable condition or material weakness, based on management judgment.

Enclosure (8)

Enclosure (2)

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SAMPLE

5. Enclosure (8) Format and Example. The format provided will be used for the annual submission. The numbers in the columns correlate to the instructions below. Data from the Risk Assessment Table should be carried over to the Internal Control assessment for the following columns: AU/Control Point, Risk Internal Control currently in place.

Internal Control Assessment for Each Assessable Unit

Assessable Unit Programs (7)	Risk from Encl (7)	Internal Cntl currently in place from Encl (7)	(Note 1) Control Test Objective	(Note 2) Description of Design Test	(Note 3) Was Control Design effective?	(Note 4) Description of Control Test	(Note 5) Was Control Effective?	(Note 6) New Control Risk Level
Coordinate Internal and External Audits	Audit recommendations not acted upon by the command.	Final report for each audit is reviewed for command impact. Audit status is not changed to complete in tracking data base until final report review is completed. All active audits are reviewed monthly.	To ensure audit coordination is accurately reviewing final audit reports before change in audit status entered into audit tracking database.	Review existence of documented reviews for audits listed as complete in audit tracking database.	Yes	Sampling of audit population from database for completed audits in past 12 months against documented reviews of final audit reports.	Yes	Low
Security of tools	Failure to secure assets could result in pilferage or loss.	1) Tools are inventoried monthly and CMR's quarterly. 2) Personell assigned to lockup each night that report security of assets to Duty Officers.	The rapid identification of missing assets and responsibility for security.	Check toolroom inventories and validate Consolidated Memorandum Reports (CMR). Check Duty Log for reports that tools and assets are secured.	Yes	Validated that inventories were conducted and CMR assets were accounted for. Daily comments were logged that the tools/assets were secured.	Yes	Med

Enclosure (8)

Notes:

1. Identify the control test objective to validate the assumed level of control risk.
2. Describe the design of the control, which will be tested.

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3. Answer if the design of the control is effective based upon the testing performed. (Choose either "Yes" or "No").

4. Describe how the control operation was tested.

5. Answer if the control operation is effective based upon the testing performed. (Choose either "Yes" or "No").

6. New level of control. Determine the new level of control risk based on the control design test and the control operation test. For example, if the initial control risk was "Low" and was tested to be ineffective for both the design and control operation tests, the new control risk level would be elevated to "High". However, if the initial control risk was "Low" and both the design and control operation tests were effective, the control risk level would stay classified as "Low."

7. Once a control risk has been established not all AU's will be evaluated annually—low risk is 3 years, moderate risk in 2 years and high risk in every year.

Enclosure (8)

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Categories for Reporting Material Weaknesses

1. Research, Development, Test, and Evaluation. This covers the 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 Acquisition. 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.
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) forces, based on analyses 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 materiel, equipment, and supplies. It also includes depot and arsenal-type facilities as well as intermediate and unit levels of military organizations.

7. Supply Operations. Encompasses the supply operations at the wholesale (depot and inventory control point) level 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 (customer) level, including the accountability and control for supplies and equipment of all commodities in the supply accounts of all units and organizations (excluding the procurement of material, equipment, and supplies).

8. Property Management. Covers construction, rehabilitation, modernization, expansion, improvement, management, and control over real and installed property, and facilities (both military and civil works construction). It includes all phases of property life-cycle management from determination of need through disposition.

9. Communications and/or Intelligence and/or Security. Covers the plans, programs, operations, systems, and management activities for accomplishing the communications and intelligence missions. It includes safeguarding classified resources but not peripheral assets and support functions covered by other reporting categories. It 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 automated information systems (using a combination of computer hardware, software, data or telecommunications that performs functions such as collecting, processing, storing, transmitting or displaying information) and other technologies for processing management information.

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

12. Comptroller and/or Resource 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.

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

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

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

16. Financial Statement Reporting. Covers processes, procedures, and systems used to prepare, compile, and generate the Department of Defense financial statements. This category is reserved for those weaknesses identified through FMFIA over Financial Reporting process.

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Definitions

1. 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. Assessable units usually have specific management controls that are applicable to their responsibilities.
2. Assessable Unit Programs. Actual functions performed by the assessable unit where the risk is evaluated.
3. Control Objective. A specific aim, goal, condition or level of control established by a commander/manager for an assessable program that provides reasonable assurance that the resources allocated to that activity are safeguarded or protected adequately against waste, fraud or mismanagement, and that organizational, operational or administrative objectives are accomplished. Control objectives are not absolutes. Limiting factors such as budget constraints, statutory and regulatory restrictions, staff limitations and the cost-benefit of each control technique are to be considered in determining desired control objectives.
4. Control Technique. Any form of organizational procedure or document flow that is relied on to accomplish a control objective.
5. Cost-Benefit. The true net cost of correcting an identified weakness. The cost-benefit represents the real (actual) monetary benefit derived from correcting the weakness, reduced by (less) the costs associated with implementing the correction. The concept of reasonable assurance recognizes that the costs of management control should not exceed the benefits to be derived, and that the benefits themselves consist of a reduced risk of failing to achieve stated objectives. This balancing of management control costs and benefits is addressed using estimates and management judgment.

6. Inherent Risk. The original susceptibility to potential hazard or the original susceptibility of an assertion to misstatement, assuming there are no related specific control activities. For example, human error in data entry of figures. (Degree of risk naturally associated with doing the function.)

7. Control Risk. The risk that a hazard or misstatement will not be prevented or detected by the internal control. For example, to control activity to prevent data entry error is to include a reconciliation total. The control risk is the risk that the reconciliation total will prevent a misstatement.

8. Combined Risk (Residual Risk). The likelihood that a hazard or material misstatement would occur and not be prevented or detected on a timely basis by the agency's internal control. For example, combined risk remains if the transposition of numbers in the data entry process resulted in the total transactions matching the reconciliation total. In this case, the reconciliation total would not mitigate the inherent risk. The risk that remains is known as the combined risk.

9. Material Weakness. Specific instances of noncompliance with Federal Managers' Financial Integrity Act of 1982 (FMFIA) of such importance so as to warrant reporting of the deficiency to the next higher level of command/management. Such weaknesses significantly impair or may impair the fulfillment of an activity's mission or operational objectives; deprive the public of needed services; violate statutory or regulatory requirements; significantly weaken safeguards against fraud, waste or mismanagement of funds, property or other assets; or cause a conflict of interest. In effect, the weakness results from management controls that are not in place, not used or not adequate. Material weaknesses should be identified using one of 15 functional reporting categories. Open findings on management controls from any source, agreed to by management, are candidates for a material weakness at the applicable level, until all corrective actions are complete. Weaknesses considered significant on any of the following criteria warrant consideration for reporting as material weaknesses:

a. Actual or potential loss of resources (e.g., property, inventory, personnel, etc.)

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- b. Sensitivity of the resources involved (e.g., drugs, munitions, etc.)
- c. Magnitude of funds, property or other resources involved.
- d. Frequency of actual or potential loss.
- e. Current or probable Congressional or media interest (adverse publicity).
- f. Impaired fulfillment of mission or operations.
- g. Unreliable information causing unsound management decisions.
- h. Violations of statutory or regulatory requirements.
- i. Diminished credibility or reputation of management.
- j. Deprivation of needed Government services to the public.
- k. Impact on information security.

10. Reasonable Assurance. The judgment by a manager and Commanding Officer based upon all available information that the component systems of management controls are operating as intended.