DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

SECNAVINST 5200.35D
ASN(FM&C): FMO-31
10 DEC 1997

SECNAV INSTRUCTION 5200.35D

From: Secretary of the Navy

Subj: DEPARTMENT OF THE NAVY MANAGEMENT CONTROL PROGRAM

Ref: (a) Section 3512 of title 31, United States Code (Public Law 97-255/Federal Managers' Financial Integrity Act (FMFIA) of 1982)
(b) Office of Management and Budget Circular No. A-123, Revised, "Management Accountability and Control," 21 Jun 95 (NOTAL)
(c) DOD Directive 5010.38, "Management Control (MC) Program," 26 Aug 96 (NOTAL)
(d) DOD Instruction 5010.40, "Management Control (MC) Program Procedures," 28 Aug 96 (NOTAL)

Encl: (1) Definitions, Management Control Standards and Associated Concepts
(2) Program and Report Requirements

1. Purpose. To provide policy for the Department of the Navy (DON) Management Control Program, incorporate guidance in accordance with references (a) through (d), and clarify management control and accountability. This is a complete revision and should be read in its entirety.

2. Cancellation. SECNAVINST 5200.35C and forms NAVCOMPT 2283, NAVCOMPT 7000/7 and NAVCOMPT 7000/8.

3. Background

a. Commanders/managers are responsible for ensuring that 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 Management Control Program is one tool available to assist them in this discharge of their duty. Other tools such as the Command Inspection Program, command evaluation reviews and analyses, and individual audits and investigations are available

as well. Implementation of the DON Management Control Program at each activity is thus a leadership decision for the manager on how best to ensure that the goals of the program are met. To empower commanders and managers in this regard, and in recognition that many times management control reviews duplicate what other tools such as audits or inspections have already determined, this revision eliminates the requirement to perform formally documented vulnerability assessments or to conduct management control reviews on any set schedule. In addition, reporting requirements such as the Semiannual Tracking Report, Risk Assessment Report, Management Control Plan and Cost Benefit Report have been eliminated. Instead, commanders and managers are to consider their particular field level and situation, and use the mix of existing and ad hoc management tools most suitable for their activity to meet the requirement for an effective system of controls. References (a) and (b) contain further discussion with regard to management controls.

b. Providing flexibility for commanders and managers to direct their programs without undue administrative control is a prime goal of the DON Management Control Program; however, when doing so, commanders/managers must be able to reasonably ensure that:

(1) obligations and costs comply with applicable laws and regulations;

(2) assets are safeguarded against waste, loss, unauthorized use or misappropriation; and,

(3) revenues and expenditures are properly accounted for and recorded.

c. The system of management controls put forth in this guidance encompasses all programs and functions within the DON, and not just the comptroller functions of budgeting, recording, and accounting for revenues and expenditures. Using the standards in appendix A to enclosure (1), commanders/managers will incorporate basic management controls in the strategies, plans, guidance and procedures governing their programs and operations.

4. Definitions. The terms, standards, and other applicable concepts used in this instruction are defined in enclosure (1).

5. Policy. All DON components shall maintain effective management control systems. All levels of DON management shall:

a. Establish controls consistent with the standards contained in this guidance; and,

b. Continually monitor and improve the effectiveness of controls chosen to be employed for their programs.

6. Responsibilities. The Under Secretary of the Navy directs the DON Management Control Program and establishes program policy. To support the Under Secretary, the following responsibilities are assigned:

a. The Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN(FM&C)) is executive agent for the DON Management Control Program, and shall:

(1) develop program policy and procedures;

(2) provide oversight of program implementation;

(3) serve as the DON focal point inside and outside of the DON for all matters pertaining to the Management Control Program;

(4) coordinate DON-wide efforts to meet program reporting requirements, annually preparing for the Secretary of the Navy the DON Statement of Assurance for submission to the Secretary of Defense;

(5) track and perform follow-up on all DON material weaknesses reported by the Secretary of the Navy to the Secretary of Defense; and

(6) ensure training is provided by various means as necessary.

b. The Auditor General of the Navy shall:

(1) evaluate compliance with this instruction during audits;

(2) work with headquarters components, whenever possible, to integrate the annual DON internal audit plan with command management control plans;

(3) identify major management control accomplishments and deficiencies detected during the conduct of audits, summarizing and reporting the results as described in paragraph 2b of enclosure (2); and

(4) determine impediments to resolving identified deficiencies.

c. The Naval Inspector General and Director, Naval Criminal Investigative Service shall:

(1) evaluate compliance with this instruction during inspections and investigations;

(2) identify major management control accomplishments and deficiencies during the conduct of inspections and investigations, summarizing and reporting the results as described in paragraph 2b of enclosure (2); and

(3) determine impediments to resolving identified deficiencies.

7. Action. The Assistant Secretaries of the Navy (ASNs), Chief of Naval Operations (CNO), Commandant of the Marine Corps (CMC), Assistant for Administration, Under Secretary of the Navy (AAUSN), General Counsel, Director, Naval Criminal Investigative Service (NCIS), Auditor General of the Navy (AUDGENAV), Chief of Information (CHINFO), Judge Advocate General (JAG), Naval Inspector General (NAVINSGEN), and Chief of Legislative Affairs shall ensure implementation of an effective DON Management Control Program for their respective organizations and all levels of their chains of command. In deciding upon the tools to use to evaluate the effectiveness of that program, each such program is to make maximum use of the flexibility provided in references (a) through (d). Those evaluations, in turn, will form the basis for the annual Management Control Certification Statement of the Secretary of the Navy. Specific program and reporting requirements for the DON Management Control Program are provided at enclosure (2).

8. Report. Reports on the Management Control Program, as reflected in enclosure (2), have been assigned Report Control Symbol DD-COMP(AR)1618(5200) and are approved for 3 years in accordance with SECNAVINST 5214.2B.

Deborah P. Christie

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DEFINITIONS, MANAGEMENT CONTROL STANDARDS AND ASSOCIATED CONCEPTS

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. Control Objective. A specific aim, goal, condition or level of control established by a commander/manager for an assessable unit 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.

3. Control Technique. Any form of organizational procedure or document flow that is relied on to accomplish a control objective.

4. 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.

5. Documentation. Documentation of management control activities is required to the extent needed by management to control its operations effectively and may be generated by activities not specifically established to meet the requirements of the Management Control Program. Documentation for management

control systems is mandated by reference (b), and encompasses the following two types of written materials:

a. Review Documentation. Shows the type and scope of the review, the responsible official, the pertinent dates and facts, the key findings and the recommended corrective actions. Documentation is adequate if the information is understandable to a reasonably knowledgeable reviewer.

b. System Documentation. Includes policies and procedures, organizational charts, manuals, flow charts and related written and graphic materials necessary to describe organizational structure, operating procedures and administrative practices, and to communicate responsibilities and authority for accomplishing programs and activities.

6. General Control Environment. The environment in which management operates, including management attitude; organizational structure; personnel competence; delegation of authority and responsibility; policies, procedures, budgeting and reporting practices; and organizational checks and balances.

7. Management Control. The organization, policies, and procedures used to reasonably ensure that programs achieve their intended results; resources are used consistent with the DON's mission; programs and resources are protected from waste, fraud and mismanagement; laws and regulations are followed; and, reliable and timely information is obtained, maintained, reported and used for decision making. Management controls, in the broadest sense, include the plan of organization, methods and procedures adopted by management to ensure that its goals are met. Management controls include processes for planning, organizing, directing and controlling program operations. Some subsets of management controls are the internal controls used to assure that there is prevention or timely detection of unauthorized acquisition, use or disposition of the entity's assets.

8. Management Control Evaluation. A documented examination of an assessable unit to determine whether adequate control techniques exist and are achieving their intended objectives. Management control evaluations are of the following two types:

a. Alternative Management Control Review. A process which determines that control techniques are operating properly, or a

process developed for other organizational purposes which provides adequate information on the effectiveness of control techniques. This type of process may utilize computer security reviews; quality assessments; financial systems reviews; General Accounting Office (GAO), DOD Inspector General (DODIG) and Naval Audit Service (NAVAUDSVC) audits, inspections or investigations; local audits and command evaluations; and management and consulting reviews. Such alternative reviews must assist in determining overall compliance and, whenever possible, include testing of controls and documentation.

b. Management Control Review. Detailed examination by the responsible commander/manager of the system of management controls in an assessable unit to determine the adequacy of controls, and to identify and correct deficiencies. Management control reviews should be conducted only when a reliable alternative source of information is not available and the review is expected to produce otherwise unavailable written documentation of what was done and what was found. Any review should have some reasonable cost effective testing aspect associated with it.

9. Management Control Plan. A brief, written plan (updated annually) 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 evaluation and the date the evaluation was completed. The management control plan need not be lengthy and any format may be used, so 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 have been accomplished.

10. Management Control Program. The full scope of management responsibilities as defined in this instruction. That responsibility includes the development of effective management controls, the evaluation and correction of deficiencies, the use of effective follow-up procedures, and the reporting requirements of this guidance.

11. Management Control Standards. Federal standards for management control are summarized in reference (b), and are identified in appendix A of this enclosure.

12. Management Control System. The sum of the methods and measures used to achieve the management control objectives—both the controls and the evaluations of those controls. It is not a separate system, but an integral part of the systems used to operate programs and functions.

13. Material Weakness. Specific instances of noncompliance with reference (a) 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 (see appendix B to this enclosure). 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.).

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.

14. Reasonable Assurance. The judgement by a DON component head based upon all available information that the component systems of management controls are operating as intended by reference (a).

15. Risk. The probable or potential adverse effects from inadequate management controls that may result in the loss of resources or cause an activity to fail to accomplish significant mission objectives through fraud, error or mismanagement.

16. Risk Assessment. A documented review by management of an assessable unit's susceptibility to fraud, waste 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.

17. Testing. Procedures to determine through observation, examination, verification, sampling or other procedures whether management control systems are working as intended.

STANDARDS FOR MANAGEMENT CONTROL IN THE FEDERAL GOVERNMENT

1. General

a. Compliance With Law. All program operations, obligations and costs must comply with applicable laws and regulations. Resources should be efficiently and effectively allocated for duly authorized purposes.

b. Reasonable Assurance and Safeguards. Management controls must provide reasonable assurance that assets are safeguarded against waste, loss, unauthorized use and misappropriation. Management controls should be logical, applicable, reasonably complete and effective and efficient in accomplishing management objectives.

c. Integrity, Competence, and Attitude. Commanders/managers and employees must have personal integrity and are obligated to support the ethics programs in their agencies. The spirit of the standards of ethical conduct requires that commanders/managers develop and implement effective management controls and maintain a level of competence that allows them to accomplish their assigned duties. Effective communication within and between offices should be encouraged.

2. Specific

a. Delegation of Authority and Organization. Commanders/managers should ensure that appropriate authority, responsibility and accountability are defined and delegated to accomplish the mission of the organization, and that an appropriate organizational structure is established to effectively carry out program responsibilities. To the extent possible, controls and related decision-making authority should be in the hands of line managers and staff.

b. Separation of Duties and Supervision. Key duties and responsibilities in authorizing, processing, recording and reviewing official agency transactions should be separated among individuals. Commanders/managers should exercise appropriate oversight to ensure individuals do not exceed or abuse their assigned authorities.

c. Access to and Accountability for Resources. Access to resources and records should be limited to authorized individuals, and accountability for the custody and use of resources should be assigned and maintained.

d. Recording and Documentation. Transactions should be promptly recorded, properly classified and correctly accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls and other significant events must be clear and readily available for examination.

e. Resolution of Audit Findings and Other Efficiencies. Commanders/managers should promptly evaluate and determine proper actions in response to known deficiencies, reported audits and other findings, and related recommendations. They should complete, within established time frames, all actions that correct or otherwise resolve the appropriate matters brought to management's attention.

MANAGEMENT CONTROL REPORTING CATEGORIES

1. Research, Development, Test and Evaluation. Covers the basic project definition, approval and transition from basic research through development, test and evaluation and all Department of Defense (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. (DOD Directive 5000.1 of 15 March 1996 (NOTAL), "Defense Acquisition," 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) 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 material, equipment and supplies. 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). 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 and/or Intelligence and/or Security. 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. 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. This includes requirements for justification of equipment. (DOD 7740.1-G of July 1988 (NOTAL), "DOD ADP Internal Control Guidelines," may be helpful when evaluating a weakness for inclusion in this category.)

11. Personnel and/or Organization Management. Covers authorizations, recruitment, training, assignment, use, development and management of military and civilian personnel of the DOD. 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, including those in connection with Office of Management and Budget (OMB) Circular A-76 (Revised), "Performance of Commercial Activities."

13. Support Services. Includes all support services functions financed from appropriated funds not covered by the other categories, such as health care, 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, including management and use of land, sea and air transportation for movement of personnel, material, supplies and equipment using both military and civilian sources.

PROGRAM AND REPORT REQUIREMENTS

1. To provide for full implementation of the DON Management Control Program the following minimum requirements must be met. All DON commands/activities will establish a Management Control Program and:

a. Assign responsibilities for Management Control Program management and the performance of management control evaluations.

b. Establish and maintain an inventory of assessable units, segmented along organizational, functional and/or program lines. An alternative methodology can be followed, provided equivalent results are obtained while still identifying vital management controls. The assessable unit inventory should be an aspect of every component's management control plan, and should be reviewed and updated annually.

c. Continuously monitor and improve the effectiveness of management controls associated with their programs. Monitoring efforts should be documented. This process should maximize use of existing management evaluation data and minimize creating processes or procedures solely to execute the Management Control Program. Each DON component should establish criteria for scheduling evaluations of assessable units.

d. Establish and maintain a process that identifies, reports and corrects material weaknesses. Material weaknesses may be identified from a variety of sources such as audits, inspections, investigations, management control evaluations and the like, and are to be reported to the next higher management level. Commanders/managers must take timely and effective action to correct management control weaknesses and should track progress on corrective actions.

e. Ensure that military and civilian personnel responsible for systems of control are identified, and that performance appraisal systems for these individuals reflect any management control responsibilities, accomplishments, deficiencies and corrective actions undertaken.

f. Ensure that subordinate commanders/managers are provided with appropriate training concerning their Management Control Program responsibilities.

2. Specific Management Control Program reporting requirements are as follows.

a. The ASNs, CNO, CMC, AAUSN, General Counsel, Director NCIS, AUDGENAV, CHINFO, JAG, NAVINSGEN and Chief of Legislative Affairs shall, by 15 October of each year, submit to the Secretary of the Navy (via the ASN(FM&C) Office of Financial Operations (FMO)) a management control certification statement, in accordance with the guidance distributed in an annual ASN(FM&C) call letter and this enclosure. This is the statement of assurance for their chain of command or organization.

(1) Reports will summarize Management Control Program accomplishments and identify material weaknesses from that command or organization, including any subordinate components' accomplishments and weaknesses considered significant enough to warrant reporting to the Secretary of the Navy. The required statement shall be based on a general assessment of management control evaluations conducted in accordance with this guidance and shall consider management control weaknesses disclosed by any and all sources, including: management studies; audits, inspections, investigations or internal reviews; and DODIG or GAO audits, investigations and reports. This statement of assurance must take one of three forms:

(a) An unqualified statement of assurance ("I have reasonable assurance that . . . "). Each unqualified statement must have a firm basis for that position, and that basis will be summarized in the transmittal memorandum.

(b) A qualified statement of assurance ("I have reasonable assurance that . . . except for . . . "). The material weaknesses that preclude an unqualified statement should be cited in the transmittal memorandum.

(c) A negative statement ("I do not have reasonable assurance that . . . ") The basis for this position is to be summarized in the transmittal memorandum.

(2) The annual management control certification statements shall, at all levels of command, be signed ("certified") by the cognizant component head or his or her principal deputy. In addition, the following applies:

(a) The format for a basic management control certification transmittal letter is provided in appendix A to this enclosure.

(b) Accomplishments, material weaknesses and other items of interest to the next higher level of command/management should be included in the annual management control certification statement. Items which do not warrant reporting up the chain of command shall be tracked at the command and activity level. Material weaknesses should be reported by means of enclosures to the annual management control certification statement. These enclosures to the annual certification statement should be ordered as follows:

1. material weaknesses identified and corrected in the current fiscal year (FY); i.e., Management Control Program accomplishments.

2. uncorrected material weaknesses discovered in the current FY, along with milestones for correcting the deficiency.

3. an updated status report on all previously reported material weaknesses that remain uncorrected at year end, even if progress is on schedule.

(3) The format in appendix B to this enclosure is to be used for reporting material weaknesses, both those corrected during the year (which are also reported as accomplishments) and those still uncorrected at year end.

(a) Begin each material weakness report at the top of a new page.

(b) Label each material weakness as corrected or uncorrected and classify each as either "Identified During the Current Period FY___" or "Identified During Prior Periods FY___," as appropriate (fill in correct fiscal year).

(c) Acronyms should be redefined the first time they are used in each material weakness reported.

(d) Do not exclude any sections of the format even if they are not felt applicable to a particular material weakness

reported. Instead, for that report the section should read, "N/A."

b. Audit, Inspection and Investigative Reports. By 15 October of each year, the Auditor General of the Navy, the Naval Inspector General, and the Director, Naval Criminal Investigative Service will forward to the Secretary of the Navy a summary of major Management Control Program accomplishments, and a report of any material weaknesses identified during the conduct of audits, inspections and investigations.

FORMAT FOR ANNUAL MANAGEMENT CONTROL CERTIFICATION STATEMENT ("STATEMENT OF ASSURANCE")

From: Responsible Official
To: (Next higher level in the chain of command)

Subj: MANAGEMENT CONTROL CERTIFICATION STATEMENT

Ref: (a) SECNAVINST 5200.35D

Encl: (1) Current Year Accomplishments/Material Weaknesses Identified and Corrected
(2) Current Year Material Weaknesses and Corrective Actions—Actual and Prospective
(3) Prior Year Material Weaknesses - Status of Corrective Actions

1. The (title of component) has evaluated the system of internal administrative and accounting controls in effect during the fiscal year ending 30 September ___. The evaluation was performed per Department of the Navy policy contained in the reference. Management Control Program accomplishments and the status of identified material weaknesses are detailed in the enclosures.

2. (Include one of the following: I have reasonable assurance that management controls are in place and operating effectively; I have reasonable assurance that management controls are in place and operating effectively, except for the material weaknesses provided in enclosure(s) (2) and (3)); or, I do not have reasonable assurance that management controls are in place and operating effectively), and the objectives of the Federal Managers' Financial Integrity Act were/were not achieved.

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

(Signed)
Component Head or Deputy

FORMAT FOR REPORTING MATERIAL WEAKNESSES

Title and Description of 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. If the weakness was reported in a prior year, indicate the Office of the Secretary of Defense Tracking System material weakness number parenthetically following the title; i.e., Unmatched Disbursements (OSD #93-022).

Functional Category: Indicate which Management Control Reporting Category (shown at Appendix B to enclosure (1)) is applicable to this material weakness.

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 command/activity's annual certification statement.

Original Targeted Correction Date: Provide the targeted correction date that was reflected in the initial report for this material weakness.

Targeted Correction Date in Last Year's Report: Provide the targeted correction date that was reported in the previous year's annual certification statement. If a material weakness is being reported for the first time and is classified as "Identified During the Current FY___," report "N/A - new report" here.

Current Target Date: Indicate the current targeted correction date.

Reason For Change in Date(s): If the item labeled above as "Current Target Date" is different from the item "Targeted Correction Date in Last Year's Report," briefly explain this change. Report "N/A" if the two dates are the same. If a material weakness is being reported for the first time and is classified as "Identified During the Current FY___," report "N/A - new report" here.

Component/Appropriation/Account Number: Identify the DON-related appropriation(s) and account number(s). Monetary information; i.e., amounts, are not required. When identifying the appropriation(s), nomenclature should be consistent with standard DoD designations; i.e., Operation and Maintenance, Navy.

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

Results Indicators: Describe key results that have been or will be achieved. Quantitative and/or qualitative measures that determine the benefits derived or that will be derived from the corrective action(s), and the overall impact of the correction on operations should be described. If the amount of monetary benefits can be determined, it should be reported here.

Source(s) Identifying Weakness: Material weaknesses may be identified by Management Control Reviews or by any of the following Alternate Management Control Review sources: (a) DODIG audits; (b) NAVAUDSVC audits; (c) GAO audits; (d) NAVINSGEN inspections; or (e) other sources. Indicate the source that was used. When audit findings are the source of the material weakness identification, provide the title, report number, and date of the audit report that identified the weakness. If the weakness was identified by more than one source, list all identifying sources, in order of significance.

Major Milestones in Corrective Action: A milestone chart is to be provided that indicates actions taken and actions planned. It should be separated into three categories: (a) completed milestones, (b) milestones to be achieved during the next fiscal year, and (c) milestones to be achieved after the next fiscal year. Milestones should be reported in chronological order. The final milestone reported must be the milestone associated with verification of the corrective actions. For most material weaknesses this final milestone will consist of achieving the validation reported in the preceding item labeled "Validation Process." If the planned completion date for a milestone has changed from that already reported, it is not necessary to note the change; simply indicate the new correct date. All planned milestones should reflect a specific date, by month and year, based on the ending date of the nearest prospective semiannual period when the milestone will be accomplished. For example, milestones to be completed in the first half of fiscal year 1998 would be reported as being completed on "3/98," those planned for the latter half would be dated "9/98." Reporting of completed

milestones need not include dates, though these may be added if desired. The format for reporting material weakness milestones follows:

Completed Milestones:
Milestone:

Planned Milestones (Next FY):
Date: **Milestone**:

Planned Milestones (Beyond Next FY):
Date: **Milestone**:

Point of Contact: The name and telephone number of the official responsible for administering implementation of all identified corrective actions for this material weakness.