DEPARTMENT OF THE NAVY
NAVAL DENTAL CENTER
2310 CRAVEN ST.
BOX 368147
SAN DIEGO, CALIFORNIA 92136-5596

NAVDENCENSDIEGOINST 5200.13B
OOI 04
27 FEB 1996

NAVDENCEN SAN DIEGO INSTRUCTION 5200.13B

Subj: MANAGEMENT CONTROL PROGRAM

Ref: (a) Federal Manager's Financial Integrity Act of 1982
(b) OMB Circular A-123 (NOTAL)
(c) SECNAVINST 5200.35C
(d) OPNAVINST 5200.25C
(e) BUMEDINST 5200.13

Encl: (1) How to Perform a Management Control Review

1. Purpose. To assign management responsibility for the development, maintenance periodic review and improvement of management control systems with the Naval Dental Center, San Diego (NDC). To ensure compliance with references (a) through (e), thereby reducing the potential for waste, fraud, abuse, and mismanagement of resources.

2. Cancellation. NAVDENCENSDIEGOINST 5200.13 and NAVDENCENSDIEGOINST 5200.13A.

3. Background. Reference (a) requires heads of agencies and departments to establish and maintain systems of management control. Furthermore, reference (a) requires the periodic review, testing, and evaluation of the adequacy of these controls and taking corrective actions if necessary. References (b) through (e) provide federal and Navy implementation policy of reference (a).

4. Definitions. Reference (e) defines all pertinent terms under this program.

a. The Management Control Program Coordinator (MCC) provides technical assistance to managers and analyzes all Management Control Reviews prior to submission to the Commanding Officer.

b. The MCC consolidates and tracks the inventory of Accessible Units, schedules month and year MCRs to be completed.

c. NDC, San Diego will implement and operate management control systems which provide managers with reasonable assurance that the following management control objectives are met:

(1) Financial and other resources are safe guarded from unauthorized use or disposition.

Naval Dental Center San Diego
TQL
Quality Improvement is Our Standard

(2) Information contained in records and reports is secure.

(3) Transactions are executed in accordance with authorizations.

(4) Applicable laws, regulations, and policies are adhered to.

(5) Resources are efficiently and effectively managed.

d. All levels of management within NDC, San Diego will ensure the following basic standards of management control are met:

(1) Documentation. Control systems and transactions for the accountability of resources will be clearly documented per enclosure (1). Documentation will be readily available for examination.

(2) Recording of Transactions and Events. Transactions and other significant events will be promptly recorded. Records will reflect accurate information and will be properly classified.

(3) Execution of Transactions and Events. Transactions and events will be authorized and executed only by personnel acting within the scope of their authority.

(4) Separation of Duties. Key duties and responsibilities in authorizing, processing, recording and reviewing transactions will be separated among individuals. Management control depends largely on eliminating opportunities to conceal errors or irregularities. Work will be assigned so that no one individual controls all phases of an activity or transaction.

(5) Supervision. Qualified and continuous supervision will be provided to ensure approved procedures are followed. Lines of personal responsibility and accountability will be clear and enforced.

(6) Access to and Accountability for Resources. Access to resources and records will be limited to authorized personnel only. Accountability for custody and use of resources will be assigned and maintained. Periodic comparison will be made between resources and recorded accountability to determine whether the two agree.

(7) Competent Personnel. The Commanding Officer will ensure key personnel have high standards of integrity and are competently trained and/or experienced to perform assigned duties.

5. Responsibilities

a. The Commanding Officer is responsible for the operation and maintenance of management control systems and shall ensure that all management controls are reviewed, tested and evaluated in accordance with reference (e). The Commanding Officer will ensure that weak and/or nonexistent management controls are documented and corrected.

6. Action

a. The MCC is the designated point of contact for the Management Control Program at NDC, San Diego.

b. In accordance with reference (e), an inventory of assessable units applicable to NDC, San Diego, shall be established and maintained. Functional managers directly involved with assessable units shall be designated to perform the MCRs.

c. Vulnerability Assessments will be completed to determine when a Management Control Review should be performed within a five year period. The Bureau of Medicine and Surgery has all ready determined the vulnerability of it's assessable units. Therefore, in most cases a Vulnerability Assessment is not needed. However, BUMED requires that Vulnerability Assessments be performed on locally mandated management control reviews.

d. MCRs shall be scheduled and conducted for all assessable units identified in the inventory. Reviews will be performed in accordance with the Bureau of Medicine and Surgery's directed five year plan outlined in reference (e). Completed MCRs will be documented and all results identified. For every significant weakness identified, there must be an accompanying plan for corrective action and estimated implementation date. All original MCR documentation will be kept on file and maintained by the MCC for review by outside audit.

e. The MCC shall coordinate training for functional managers, provide the management control review schedule, and provide guidance as necessary to functional managers in conducting reviews. Completed reviews are to be signed and dated by reviewers and their immediate supervisor.

f. The functional managers are responsible for completion of management control reviews in accordance with the assigned schedule, and for the timely correction of all significant weaknesses identified. The MCC shall ensure the Commanding Officer is kept informed on the status of reviews and corrective actions initiated for weaknesses found as a result of the reviews.

g. In accordance with references (c), (d) and (e), the appraisal systems of military and civilian managers of assessable units shall reflect their management control responsibilities, accomplishments, and deficiencies.

h. Twice a year, the MCC shall prepare a Management Control Status Report and Certification Statement for the Commanding Officer's signature and shall submit both to the Chief, BUMED as directed by reference (e).

7. The Management Control Program is a CNO special interest item and will be reviewed and documented during inspections and area visits.

R. C. MELENDEZ

Dist:
List 1, Case 1, 2

HOW TO PERFORM A MANAGEMENT CONTROL REVIEW (MCR)

Who actually does the Management Control Review? The Review is performed by the manager who actually has direct supervision over the people who perform the work. If the Assessable Unit is large, the responsible manager may want to delegate responsibility for part of it to subordinates. However, testing and evaluating controls must be performed by the responsible line manager.

WHY AM I DOING THIS REVIEW?

The Management Control Program (MCP), mandated by **DOD, SECNAV, and BUMED,** provides operational checks and balances to give reasonable assurance that:

* Resources are safeguarded
* Information is accurate and reliable
* Laws, regulations, and policies are maintained
* Economics and efficiencies are achieved

The benefit are:

* Gives managers opportunity to fix weaknesses
* Identifies potential problems
* Minimizes criticism by external groups
* Helps to focus on serious problems
* Aids training new employees
* Facilitates organizational changes

WHAT DO I NEED TO START THE REVIEW?

A Management Control Review Worksheet to document your review of the assessable unit (functional area). Collect all SOPs and other internal/external directives used to perform the work done for the assessable unit. These documents will later be identified during the review.

IF I HAVE QUESTIONS, WHO DO I CALL?

If you have questions during any time you are performing the review, don't hesitate to call the Management Control Program Coordinator, Code OOI at extension 6-8203 for assistance or questions.

*****IMPORTANT NOTES*****

Document how you tested the event cycle when you reach that section of the MCR (see Step 3 on page 3 of this document). For example: If you were reviewing the assessable unit, personal computer (PC) software controls, you might conduct a test of ensuring no illegal software resides on the command's PC's. To do this you could physically check 10 percent of the PC's for illegal software. To document this, you would make notes as to the date/time of your test, PC identification numbers, who your contacts were, and the results of your findings.

Document corrective actions/recommendations and estimated completion date. It is highly recommended that you prepare a POA&M for corrective actions identified in your review. If a corrective action falls outside your area of responsibility, identify which area you think might be responsible.

Print the names of both persons signing the forwarding memorandum (page 6). The memorandum is to be signed and dated by at least the first line supervisor with overall responsibility for the assessable unit.

STEPS IN PERFORMING THE MCR

(The Management Control Review Worksheet reflects the examples used in the steps below.)

Step 1: Identify the beginning and ending point of transaction (event cycles) for the assessable unit. An event cycle is a series of **STEPS** taken in relation to controls to ensure steps are completed or performed to get something done (e.g., assessable unit). For example, if the assessable unit was Warehouse Controls, the event cycles might be:

* Receiving
* Storing
* Issuing
* Carton Breakdown

(Try not to use more than eight steps.)

Step 2: Identify and briefly describe all existing controls objectives (goals of the event cycle) applicable to each event cycle. For example:

(1) If the event cycle were "Receiving", the control objective might be "Ensure that only authorized supplies are received and held in inventory."

(2) If the event cycle were "Storing", the control objective might be, "Ensure that only authorized personnel have access to supply storage areas."

Step 3: For each event cycle, list the applicable controls (standards and references). The controls can be any of the following:

* Documentation (SOPs, internal/external instructions or other directives, etc.)
* Records (logs, files, etc.)
* Authorization (signatures or independent evidence to show that something was authorized and executed by persons acting within the scope of their authority.)
* Structure (separation of duties)
* Supervision (review of work)
* Security (barriers)

Step 4: Identify and describe existing control techniques employed and type of testing used. Describe in terms of:

* Who is responsible/accountable
* How and when a control operates
* Testing performed and results

For type of testing used, the reviewer must ensure controls are functioning by performing test using (1) document analysis, (2) observation, (3) interviews, or (4) combination of all three. For the assessable unit, Warehouse Controls, using the event cycles, controls, and control objectives examples above, the control technique and type of testing used might be:

Control Technique = Receiving personnel are different from purchasing personnel

Type of Testing used = Document Analysis/Observation/Interview: Check all PDs. Observe three personnel in each category over a two-week period. Interview ten employees in each job classification.

*****IMPORTANT NOTES*****

Select a representative sample of documents, transactions, etc. when testing the control techniques, and follow it through the steps of the event cycle. Note whether controls are/are not working. You can select five percent, if there are too many problems you may want to test five or ten more documents to confirm.

Document all testing on Management Control Review Worksheet, and include copies of the documentation listed below and attach it to the forwarding memorandum. (Remember, observe, interview, and compare actual procedures (what you are doing) with written SOPs (what you should be doing)

*Documents that were tested.

*Steps and actions observed. Observe the performance of each event cycle to determine if procedures and controls are being completed.

* Documentation of conversations of personnel interviewed and determination if they were aware of procedures, responsibilities and controls. Documentation of whether SOPs are working.

* Examination of documents for accuracy, completeness, timeliness, authorized by direction of signatures, and applicable supporting documentation. Document results.

Step 5: Based on the results of your tests, evaluate the control technique as strong, weak or excessive. Based on this evaluation, you should be able to determine if the control technique is working or not, and if it is adequate. For example: Using the control technique "Purchase order forms are preprinted with the receiving location. Spot checks of supply receipts, requisitions, and inventory control are conducted" and the test done, was "Document analysis; reviewed ten P.O.s per month, " and you found testing that 20 percent of the P.O.s lacked approved authorized signatures, then the control technique appears to be somewhat weak, not working, and possibly, not adequate. Document

the rest of the results of testing and include a determination as to whether individual controls were adequate, weak, non-existent, or excessive.

Step 6: List your comments and date testing completed. Using the example in step five above, briefly note in this section what is planned to alleviate the weakness, which, in this example may be to develop an authorized list and include it in the SOP. (Note: These weaknesses are further defined in the memorandum on the next page.)

Step 7: Forward the results of the review in memorandum format as outlined on page six to the Management Control Program Coordinator, Code OOI. Enclosures will include Management Control Review Worksheet, and all documents reviewed during testing.

EXAMPLE OF MEMORANDUM USED TO FORWARD RESULTS OF MCR

Date:

MEMORANDUM

From: (Department Conducting the Review)
To: Management Control Program Coordinator (Code OOI)

Subj: MANAGEMENT CONTROL REVIEW OF (ASSESSABLE UNIT)

Ref: (a) NAVDENCENSDIEGOINST 5200.13A

Encl: (1) Management Control Review Worksheet
(2) Any working papers and other documentation used during the review, including test documents

1. Objective. A short paragraph describing the objective(s) of the review.

2. Scope. A short paragraph describing the scope of the review (e.g., this review focused on the supply requests processed through stock control, from the point of entry at the customer service desk to the point of exit from technical review.)

3. Source. Briefly state who performed the review, who reviewed the report, and what functions were reviewed and tested.

4. Summary Evaluation. A brief statement of the findings of the review (positive and negative). Address effective controls in use, excessive controls and processes of transactions which may have NO controls, or which the controls established are not being followed.

5. Weaknesses and Corrective Actions. Address each weakness discovered and the recommended corrective action being taken, including estimated completion date. Example:

Weakness 1: Supply requests received from NDC, San Diego are being approved for procurement by unauthorized personnel.

MANAGEMENT CONTROL REVIEW OF (ASSESSABLE UNIT)

Corrective Action 1: The customer service desk will screen all supply requests for proper approval signatures and return those identified as approved by unauthorized personnel. Estimated completion date is XX/XX/XX.

(Identify who performed and who approved the review. Print their names below their signatures.)

MCR conducted by: _____ Signature _____ Date_____

MCR results approved by: _____ Signature _____ Date_____

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OOI
29 JAN 1996

NAVDENCEN SAN DIEGO INSTRUCTION 5200.13A

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R. C. MELENDEZ

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List 1, Case 1, 2

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Document corrective actions/recommendations and estimated completion date. It is highly recommended that you prepare a POA&M for corrective actions identified in your review. If a corrective action falls outside your area of responsibility, identify which area you think might be responsible.

Print the names of both persons signing the forwarding memorandum (page 6). The memorandum is to be signed and dated by at least the first line supervisor with overall responsibility for the assessable unit.

STEPS IN PERFORMING THE MCR

(The Management Control Review Worksheet reflects the examples used in the steps below.)

Step 1: Identify the beginning and ending point of transaction (event cycles) for the assessable unit. An event cycle is a series of **STEPS** taken in relation to controls to ensure steps are completed or performed to get something done (e.g., assessable unit). For example, if the assessable unit was Warehouse Controls, the event cycles might be:

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(Try not to use more than eight steps.)

Step 2: Identify and briefly describe all existing controls objectives (goals of the event cycle) applicable to each event cycle. For example:

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Step 3: For each event cycle, list the applicable controls (standards and references). The controls can be any of the following:

* Documentation (SOPs, internal/external instructions or other directives, etc.)
* Records (logs, files, etc.)
* Authorization (signatures or independent evidence to show that something was authorized and executed by persons acting within the scope of their authority.)
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Step 4: Identify and describe existing control techniques employed and type of testing used. Describe in terms of:

* Who is responsible/accountable
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* Testing performed and results

For type of testing used, the reviewer must ensure controls are functioning by performing test using (1) document analysis, (2) observation, (3) interviews, or (4) combination of all three. For the assessable unit, Warehouse Controls, using the event cycles, controls, and control objectives examples above, the control technique and type of testing used might be:

Control Technique = Receiving personnel are different from purchasing personnel

Type of Testing used = Document Analysis/Observation/Interview: Check all PDs. Observe three personnel in each category over a two-week period. Interview ten employees in each job classification.

*****IMPORTANT NOTES*****

Select a representative sample of documents, transactions, etc. when testing the control techniques, and follow it through the steps of the event cycle. Note whether controls are/are not working. You can select five percent, if there are too many problems you may want to test five or ten more documents to confirm.

Document all testing on Management Control Review Worksheet, and include copies of the documentation listed below and attach it to the forwarding memorandum. (Remember, observe, interview, and compare actual procedures (what you are doing) with written SOPs (what you should be doing)

*Documents that were tested.

*Steps and actions observed. Observe the performance of each event cycle to determine if procedures and controls are being completed.

* Documentation of conversations of personnel interviewed and determination if they were aware of procedures, responsibilities and controls. Documentation of whether SOPs are working.

* Examination of documents for accuracy, completeness, timeliness, authorized by direction of signatures, and applicable supporting documentation. Document results.

Step 5: Based on the results of your tests, evaluate the control technique as strong, weak or excessive. Based on this evaluation, you should be able to determine if the control technique is working or not, and if it is adequate. For example: Using the control technique "Purchase order forms are preprinted with the receiving location. Spot checks of supply receipts, requisitions, and inventory control are conducted" and the test done, was "Document analysis; reviewed ten P.O.s per month, " and you found testing that 20 percent of the P.O.s lacked approved authorized signatures, then the control technique appears to be somewhat weak, not working, and possibly, not adequate. Document

the rest of the results of testing and include a determination as to whether individual controls were adequate, weak, non-existent, or excessive.

Step 6: List your comments and date testing completed. Using the example in step five above, briefly note in this section what is planned to alleviate the weakness, which, in this example may be to develop an authorized list and include it in the SOP. (Note: These weaknesses are further defined in the memorandum on the next page.)

Step 7: Forward the results of the review in memorandum format as outlined on page six to the Management Control Program Coordinator, Code OOI. Enclosures will include Management Control Review Worksheet, and all documents reviewed during testing.

EXAMPLE OF MEMORANDUM USED TO FORWARD RESULTS OF MCR

Date:

MEMORANDUM

From: (Department Conducting the Review)
To: Management Control Program Coordinator (Code OOI)

Subj: MANAGEMENT CONTROL REVIEW OF (ASSESSABLE UNIT)

Ref: (a) NAVDENCENSDIEGOINST 5200.13A

Encl: (1) Management Control Review Worksheet
(2) Any working papers and other documentation used during the review, including test documents

1. Objective. A short paragraph describing the objective(s) of the review.

2. Scope. A short paragraph describing the scope of the review (e.g., this review focused on the supply requests processed through stock control, from the point of entry at the customer service desk to the point of exit from technical review.)

3. Source. Briefly state who performed the review, who reviewed the report, and what functions were reviewed and tested.

4. Summary Evaluation. A brief statement of the findings of the review (positive and negative). Address effective controls in use, excessive controls and processes of transactions which may have NO controls, or which the controls established are not being followed.

5. Weaknesses and Corrective Actions. Address each weakness discovered and the recommended corrective action being taken, including estimated completion date. Example:

Weakness 1: Supply requests received from NDC, San Diego are being approved for procurement by unauthorized personnel.

MANAGEMENT CONTROL REVIEW OF (ASSESSABLE UNIT)

Corrective Action 1: The customer service desk will screen all supply requests for proper approval signatures and return those identified as approved by unauthorized personnel. Estimated completion date is XX/XX/XX.

(Identify who performed and who approved the review. Print their names below their signatures.)

MCR conducted by: _____ Signature _____ Date_____

MCR results approved by: _____ Signature _____ Date_____

MANAGEMENT CONTROL REVIEW WORKSHEET

Page___of___

epartment/Division: Material Management

Unit Control No: 07.004

Functional Category: Supply Operations

Assessable Unit: Warehouse Controls

Event Cycle: Receiving

Control Techniques/ Type of Testing	(S) trength (W)eakness (E)xcessive	Func-tioning (Y)es (N)o	Ade-quate (Y)es (N)o	Date Testing Commpleted/ Comments
1. Purchase order forms are pre-printed with the receiving location. -Document Analysis: Review 10 PO's per month for one fiscal yr.	S	Y	Y	20 Nov 90: Refer to incoming purchase order file.
2. Spot checks of supply receipts, acquisitions, and inventory control log are conducted. -Document Analysis/Interview: Review supervisor's log for one year period. Interview 10% of staff in each job classificaation.	S	Y	Y	21 Nov 90: Refer to supervisor's log. Memo of interviews attached to MCR.
Authorized signature is required for receipt of all supplies. -Document Analysis: Review 10% of all receiving forms for each quarter during the past year.	W	N	Y	22 Nov 90: Refer to DD2276 and depot chit 4400/8 files. Weakness: 20% of the forms lacked authorized signature. C.A.: Develop an authorized list, include in SOP.
4. Receiving personnel are different from purchasing personnel. - Document Analysis/Observation/	S	Y	Y	5 Dec 90: Refer to personnel files for PDs. Documentation of observation and interviews are attached to MCR.
6.1 Written instructions on inventory procedures are posted. - Observation: Check all work settings for posting.	S	Y	Y	5 Dec 90: Documentation of observation attached to MCR.
6.2 Batch balancing,logging, and hash totals are used to ensure all items are posted in inventory.	S	Y	Y	

Prepared By:_____ Date:_____

Reviewed By: _____ Date:_____

MANAGEMENT CONTROL REVIEW WORKSHEET

Page___of___

Department/Division: Material Management
Unit Control No: 07.004
Functional Category: Supply Operations
Assessable Unit: Warehouse Controls

Event Cycle(s)	Control Objective(s)	Comment(s) Reference(s)
1) Receiving	a) Ensure that only authorized supplies are received and held in inventory. b) Ensure that inventory records are maintained according to SOP and accurately reflect supply and repair parts on hand.	SUPPARS, Chapter 10 NAVSUP P467, Chapter 6, Part E SOP.
2) Storing	a) Ensure that only authorized personnel have access to supply storage areas.	NAVSUP P467, Chapter 8, Part A SOP
3) Issuing	a) Ensure that supplies are issued in a timely manner.	NAVSUP P467, Chapter 9, Part C NMCLQUANTINST 4480.1 - DD 2276 - Depot chit 4400/8 SOP
4) Carton Breakdown	a) Ensure that all cartons are brokendown and disposed of in a timely manner.	SOP No internal controls within this event cycle.

Prepared By:_____ Date:_____

Reviewed By: _____ Date:_____