

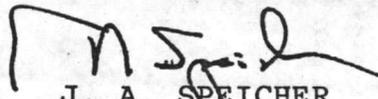


UNITED STATES MARINE CORPS  
MARINE CORPS BASE  
CAMP LEJEUNE, NORTH CAROLINA 28542-5001

IN REPLY REFER TO:  
5200  
TRNG/OPS  
16 Jul 87

From: Assistant Chief of Staff, Training and Operations  
Subj: ESTABLISHMENT, MAINTENANCE, REVIEW AND IMPROVEMENT OF  
MANAGEMENT CONTROL SYSTEMS  
Encl: (1) CG, MCB ltr 5200 COMP dtd 8 Jul 87

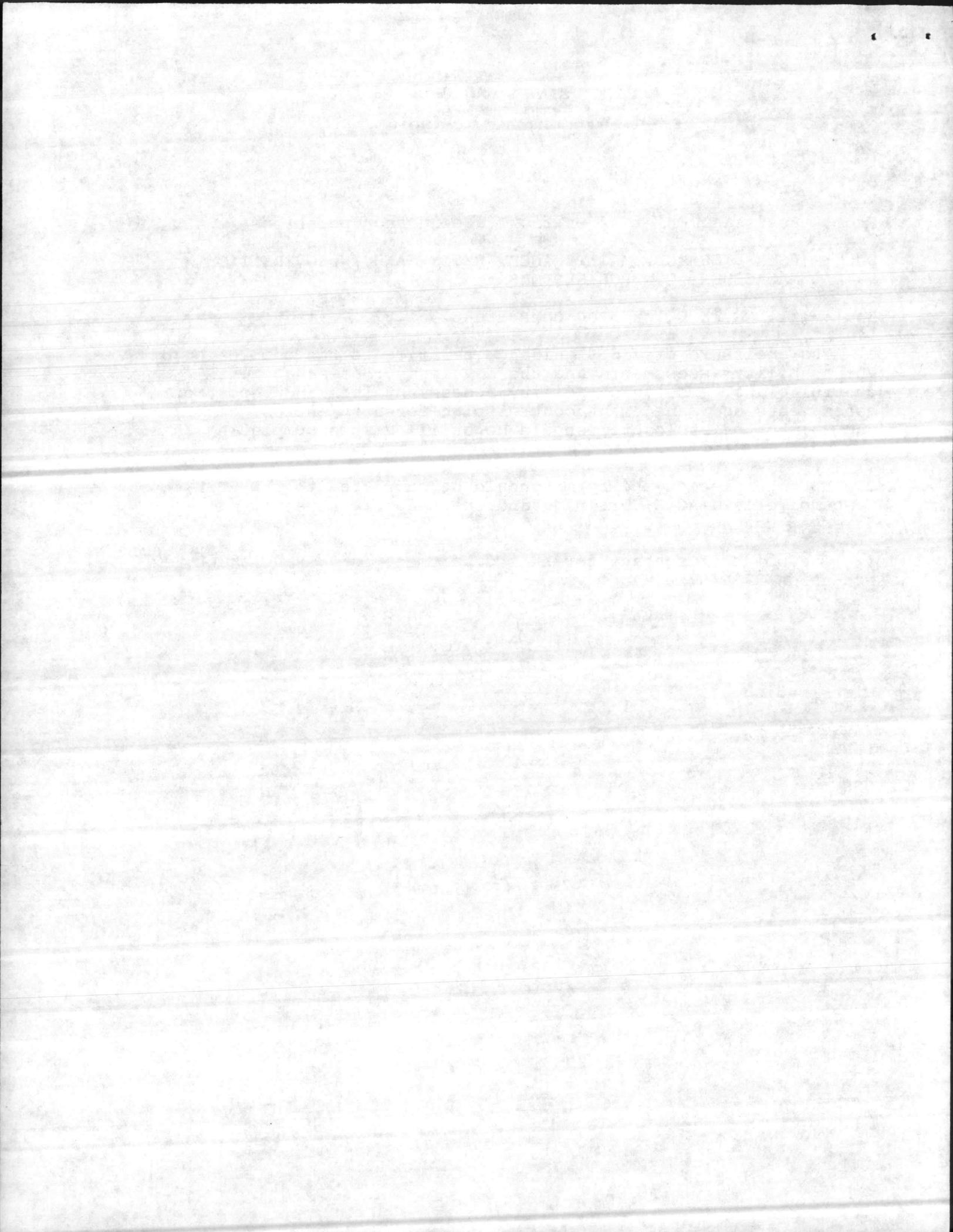
1. The enclosure provides guidance relative to the completion of vulnerability assessments and the development of management control plans. The vulnerability assessment form and report of assessments and management control plan formats (enclosures (2) and (3) to the enclosure) should be utilized when completing this project.
2. Upon completion the forms should be submitted to the AC/S, Comptroller via AC/S, Training and Operations. Attention is directed to the short deadline.
3. The point of contact for this department is J. F. Charles, extension 5326/5720.

  
J. A. SPEICHER

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UNITED STATES MARINE CORPS  
Marine Corps Base  
Camp Lejeune, North Carolina 28542-5001

5200  
COMP  
8 JUL 87



From: Commanding General, Marine Corps Base, Camp Lejeune

Subj: ESTABLISHMENT, MAINTENANCE, REVIEW AND IMPROVEMENT OF MANAGEMENT CONTROL SYSTEMS

Ref: (a) MCO 5200.24  
(b) CMC Washington DC 250049Z Jun 86  
(c) CMC Washington DC 170041Z Sep 86  
(d) CMC Washington DC 091956Z Jan 87  
(e) CMC ltr 5200 FDF-2/tt dtd 24 Jun 87  
(f) OMB Circular A-123 dtd 4 Aug 86 (NOTAL)  
(g) BO 7000.4A

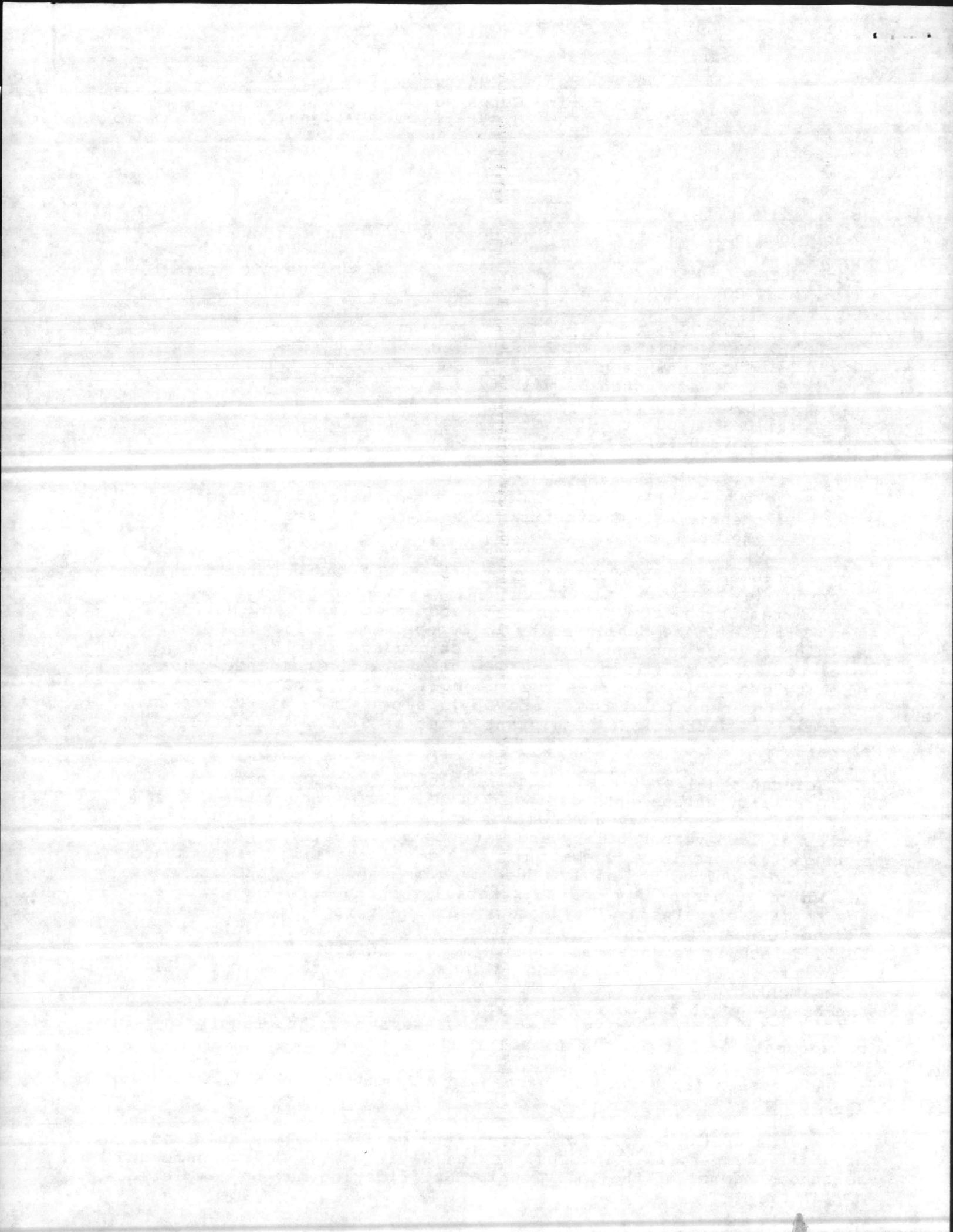
Encl: (1) List of Assessable Units  
(2) Vulnerability Assessment Form and Related Instructions  
(3) Report of Assessments and Management Control Plan and Related Instructions

1. References (a) through (d) established the subject requirements. Reference (e) provides interim changes to the management control program resulting from reference (f) and indicates a new Marine Corps Order will be published by 15 October 1987. The new Order will incorporate changes in the subject program resulting from reference (f), to include improved implementation guidance. However, reference (e) requires the accomplishment of several tasks prior to the receipt of the improved guidance which are due to this Headquarters (Attention: Assistant Chief of Staff, Comptroller) by 24 July 1987.

2. Reference (a) previously required the performance of biennial vulnerability assessments during FY 1984. Reference (b) required that 1986 vulnerability assessments take the form of a cursory review of 1984 vulnerability assessments to identify significant changes from previous assessments. Full vulnerability assessments were also required for newly added programs and functions and those for which vulnerability had substantially changed. No reports on the results of vulnerability assessments were required to be submitted to Headquarters Marine Corps for FY 1986, but results were to be used locally to determine future management control review priorities. References (e) and (f) has extended the vulnerability assessment cycle from two to five years and established FY 1987 as the base year of the five year cycle. Also, they provide additional guidance for conducting vulnerability assessments and require a management control plan be established.

3. Addressees are hereby requested to accomplish the following tasks:

a. Establish a point of contact and notify the Assistant Chief of Staff, Comptroller, Internal Review Division, as to the name and telephone number of the individual. Notification may be completed



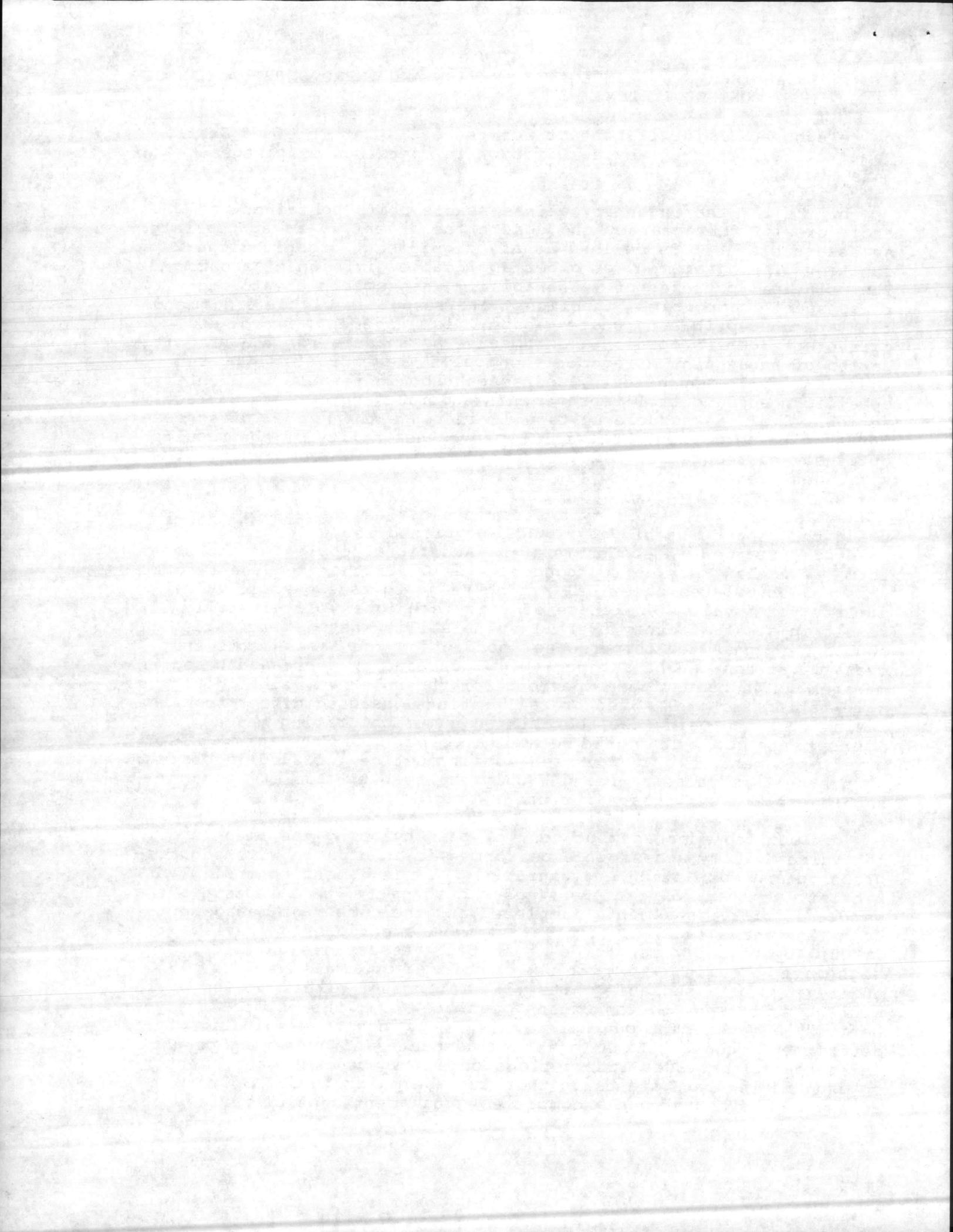
Obj: ESTABLISHMENT, MAINTENANCE, REVIEW AND IMPROVEMENT OF MANAGEMENT CONTROL SYSTEMS

by telephone. Point of contact for the Assistant Chief of Staff, Comptroller, Internal Review Division is contained in paragraph 4 of this letter.

b. Review the inventory of assessable units contained in enclosure (1) for accuracy and update the inventory as appropriate. An assessable unit is defined as any significant organizational, functional, programatic, or other applicable division of a command. The principal purposes of vulnerability assessments are to identify those specific programs, functions, and resources within a command that are susceptible to waste, abuse, mismanagement, fraud, and unfavorable public opinion and to serve as a basis for the prioritization of subsequent management control review efforts. Through these and follow-on efforts, addressees should be able to identify specific needed control improvements and take appropriate corrective action. Small assessable units will increase the number of assessments to be performed, but will improve the quality of the results obtained and reduce the size, scope, duration, and complexity of subsequent review efforts.

c. Perform vulnerability assessments for all assessable units using the Department of Navy (DON) authorized short form and related guidance provided in enclosure (2). Additional copies of the short form, if needed, may be reproduced. The DON authorized short form uses an abbreviated numerical rating value to rate overall vulnerability for a unit. While use of this technique will generally result in a satisfactory overall vulnerability assessment rating, it should be emphasized to personnel conducting the assessments that overall ratings can be subjectively increased or decreased based on management judgement and experience or the relative weight given to some rating factors. When overall ratings assigned differ from the rating obtained using the abbreviated numerical rating values, appropriate comment should be made in block 23 on the form. Also a brief statement (two to four sentences) must be included in block 23 when a unit is rated as being highly vulnerable. The statement should explain the reason for the rating.

d. Develop a management control plan by using the results of the vulnerability assessments performed in accordance with subparagraph 3c and completing enclosure (3). A management control plan is a brief, written, 5 year plan (updated annually) that indicates the number of risk assessments completed and the number of management control reviews (MCR) or alternative management control reviews (AMCR), by fiscal year, to be conducted. Assessable units rated as high must be reviewed during the remainder of FY 1987 and FY 1988 and reviews of assessable units with ratings of either medium or low must be scheduled, to the extent possible, over the entire five year period. A management control review is an indepth examination to determine if control techniques are adequate and operating properly. Reference (g) provides instructions on how to conduct management control reviews and standards that must be maintained. Most addressees have previously completed management control reviews of

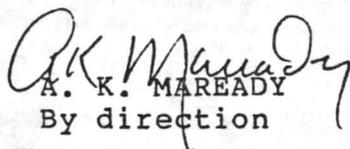


Obj: ESTABLISHMENT, MAINTENANCE, REVIEW AND IMPROVEMENT OF MANAGEMENT CONTROL SYSTEMS

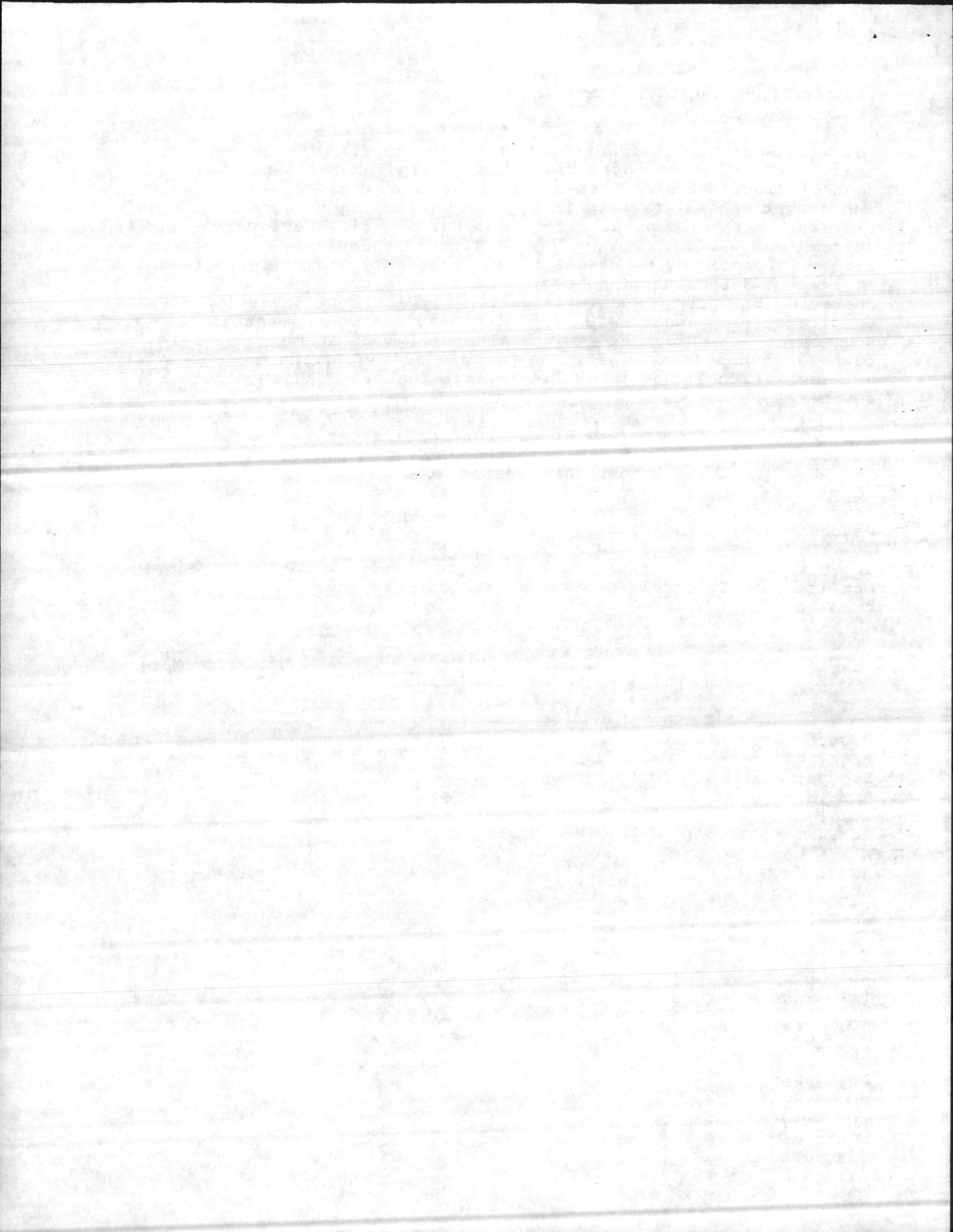
the accessible units identified in enclosure (1). These reviews should be used, when appropriate, to accomplish the management control plan. Also reference (f) allows managers to use alternative management control reviews in lieu of conducting management control reviews. This process utilizes computer security reviews; financial system reviews; IG, GAO, or Navy Audits, inspections, or investigations; internal review studies; and management and/or consulting reviews to determine if control techniques are adequate and operating properly. Such alternative reviews must determine overall compliance, and include testing of controls and documentation. Addressees are encouraged to use alternative management control reviews when possible. For the purpose of completing enclosure (3) all reviews should be identified as alternative management control reviews.

e. Submit the results of the vulnerability assessments, enclosure (2), and your management control plan, enclosure (3), to this Headquarters (Attention: Assistant Chief of Staff, Comptroller) by 24 July 1987. The short deadline is regretted, however input from addressees must be consolidated and reported to Headquarters, United States Marine Corps by 7 August 1987.

4. Mr. Ronnie Carter or Mr. Larry Mize (Assistant Chief of Staff, Comptroller, Internal Review), extension 1779 or 2327, will serve as a point of contact to answer any questions.

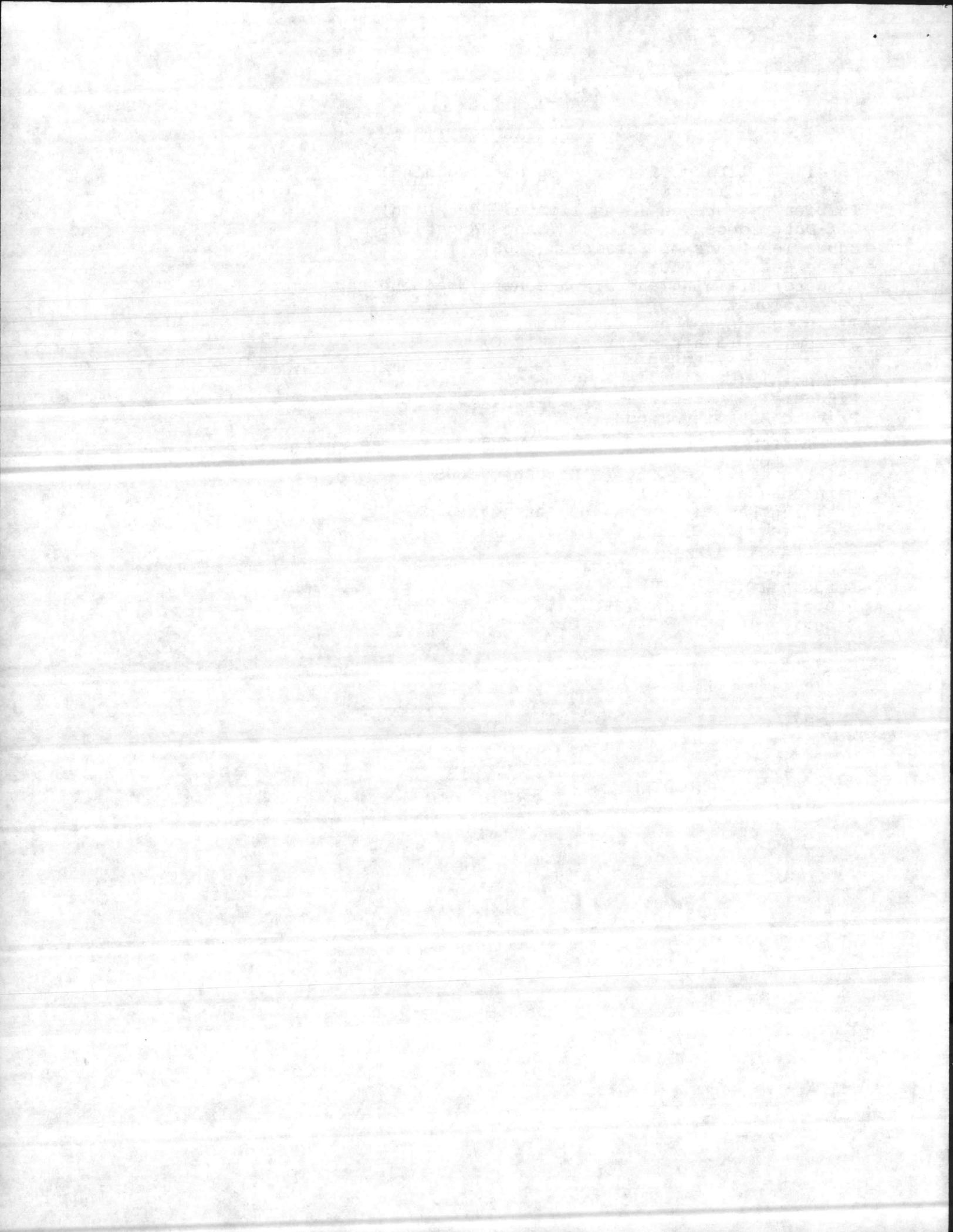
  
A. K. MAREADY  
By direction

Distribution:  
Base Inspector  
Provost Marshal  
AC/S, MWR  
AC/S, Manp  
AC/S, Trng & Ops  
AC/S, Log  
AC/S, Comp  
AC/S, Fac  
AC/S, BOSMAD  
Dir, RASC  
SJA  
CO, HqBn  
CO, SptBn  
CO, MCES  
CO, MCSSS  
CO, FMSS  
CO, SOI  
CO, RRDet  
CO, RSU  
CO, Brig  
BChaplain  
Dir, JPAO  
Dir, Hum Svcs -



ASSESSABLE UNITS

Foreign Military Officer Program (Training)  
ROTC/JROTC (Training)  
Tuition Assistance (Consolidated Education)  
Off-Duty Education Program (Base Education)  
Education Programs/Services (CLDS)  
Range Safety (TFAC)  
Disaster Training and Preparedness Training Management  
(Operations)  
Training Management (Training)  
Explosive Ordnance Disposal (TFAC)  
Procurement (CLDS)  
Financial (CLDS)  
Financial - Cafeteria Non-Appropriated (CLDS)  
Private Activity Funds (CLDS)  
Timekeeping (CLDS)  
Facilities (CLDS)  
Maintenance (i.e. Fac. & Milcon) (CLDS)  
Maintenance (CLDS)  
Training Facilities Management (TFAC)  
Boat Crew (TFAC)  
Gas Chamber (TFAC)  
Equipment Control (TAVSC)  
Personnel (CLDS)  
Property Management (CLDS)  
Security (CLDS)



## VULNERABILITY ASSESSMENT FORM

1. ORGANIZATION: \_\_\_\_\_ 2. ORGANIZATION CODE: \_\_\_\_\_

3. PROGRAM/  
FUNCTION/  
ACTIVITY  
(ASSESSABLE UNIT)



	CHOICE	VALUE	CHOICE	VALUE	
GENERAL CONTROL ENVIRONMENT	<b>4. EMPHASIS ON INTERNAL CONTROLS:</b>		<b>7. ADEQUACY OF CHECKS AND BALANCES:</b>		
	MAJOR EMPHASIS	(1)	NOT APPLICABLE		
	MODERATE EMPHASIS	(3)	ADEQUATE	(1)	
	MINOR EMPHASIS	(5)	NEEDS IMPROVEMENT	(3)	
	<b>5. COVERAGE BY WRITTEN PROCEDURES:</b>		<b>8. ADP USED FOR REPORTING OR OPERATIONAL DATA:</b>		
	SPECIFIC GUIDANCE W/ LITTLE OR NO DISCRETION	(1)	NOT APPLICABLE		
	FLEXIBLE GUIDANCE W/ SIGNIFICANT DISCRETION	(3)	DATA RELIABILITY (TIMELINESS, ACCURACY) AND SECURITY ARE SATISFACTORY	(1)	
	NO WRITTEN PROCEDURES	(5)	DATA RELIABILITY OR SECURITY NEEDS SOME IMPROVEMENT	(3)	
	<b>6. SPECIFYING GOALS AND MEASURING ACCOMPLISHMENTS:</b>		<b>9. PERSONNEL RESOURCES</b>		
	NOT APPLICABLE		ADEQUATE NUMBER OF QUALIFIED PERSONNEL	(1)	
GOALS/OBJECTIVES FORMALLY ESTABLISHED AND MONITORED	(1)	ADEQUATE NO. OF PERSONNEL BUT SOME TRAINING REQUIRED	(3)		
GOALS/OBJECTIVES USE INFORMALLY OR W/ LITTLE FOLLOWUP	(3)	INSUFFICIENT NO. OF PERSONNEL OR MAJORITY OF STAFF LACKS QUALIF. OR NEEDED TRAINING	(5)		
GOALS/OBJECTIVES NEEDED, BUT NOT ESTABLISHED	(5)				
ANALYSIS OF INHERENT RISK	<b>10. PROGRAM ADMINISTRATION:</b>		<b>15. TYPE OF TRANSACTION DOCUMENT</b>		
	DON ONLY	(1)	NON-CONVERTIBLE TO CASH OR BENEFIT	(1)	
	JOINT SERVICE	(3)	CONVERTIBLE TO SERVICES ONLY	(3)	
	THIRD PARTY (CONTRACTOR)		DIRECTLY CONVERTIBLE TO CASH	(5)	
	• HEAVY INVOLVEMENT	(4)			
	• TOTAL INVOLVEMENT	(5)	<b>16. INTERVAL SINCE MOST RECENT EVALUATION OR AUDIT:</b>		
	<b>11. SCOPE OF WRITTEN AUTHORITY:</b>		WITHIN LAST 9 MONTHS		(1)
	PRECISE	(1)	BETWEEN 9 AND 24 MONTHS	(3)	
	CLARIFICATION REQUIRED	(3)	MORE THAN 2 YEARS	(5)	
	NO WRITTEN AUTHORITY	(5)	<b>17. RECENT INSTANCES OF ERRORS OR IRREGULARITIES:</b>		
<b>12. AGE/STATUS OF PROGRAM:</b>		NONE IN THE LAST 18 MONTHS		(1)	
RELATIVELY STABLE	(1)	MOST SIGNIFICANT FINDINGS OR KNOWN ERRORS FULLY CORRECTED	(3)		
CHANGING	(3)	MOST SIGNIFICANT FINDINGS OR KNOWN ERRORS UNRESOLVED	(5)		
NEW OR EXPIRING WITHIN 2 YEARS	(5)	<b>18. ADEQUACY OF REPORTS:</b>			
<b>13. EXTERNAL IMPACT OR SENSITIVITY:</b>		ACCURATE AND TIMELY		(1)	
NOT APPLICABLE		SOMETIMES INACCURATE, INCOMPLETE, AND/OR LATE	(3)		
LOW LEVEL	(1)	USUALLY INADEQUATE AND LATE	(5)		
MODERATE LEVEL	(3)	<b>19. TIME CONSTRAINTS:</b>			
HIGH LEVEL	(5)	NOT A SIGNIFICANT FACTOR IN OPERATIONS		(1)	
<b>14. INTERACTION ACROSS ORGANIZATIONS:</b>		OCCASIONALLY A FACTOR		(3)	
EXCLUSIVE TO ONE OFFICE	(1)	A SIGNIFICANT DAILY FACTOR		(5)	
WITHIN TWO FUNCTIONAL OFFICES	(3)				
MORE THAN TWO FUNCTIONAL OFFICES	(4)				
INVOLVEMENT WITH OUTSIDE ORGANIZATIONS	(5)				
PRELIMINARY ASSESSMENT OF SAFE GUARDS	<b>20. ASSUMED EFFECTIVENESS OF EXISTING CONTROLS</b>		<b>21. OVERALL VULNERABILITY ASSESSMENT:</b>		
	CONTROLS ADEQUATE	(1)	LOW <input type="checkbox"/> (LESS THAN 27)	<b>SCORE</b> 	
	LESS THAN ADEQUATE	(3)	MEDIUM <input type="checkbox"/> (27-34)		
NO EXISTING CONTROLS OR COSTS OUTWEIGH BENEFITS	(5)	HIGH <input type="checkbox"/> (GREATER THAN 34)			
		<b>22. IACR RECOMMENDED?</b> <input type="checkbox"/> YES <input type="checkbox"/> NO			

23. COMMENTS

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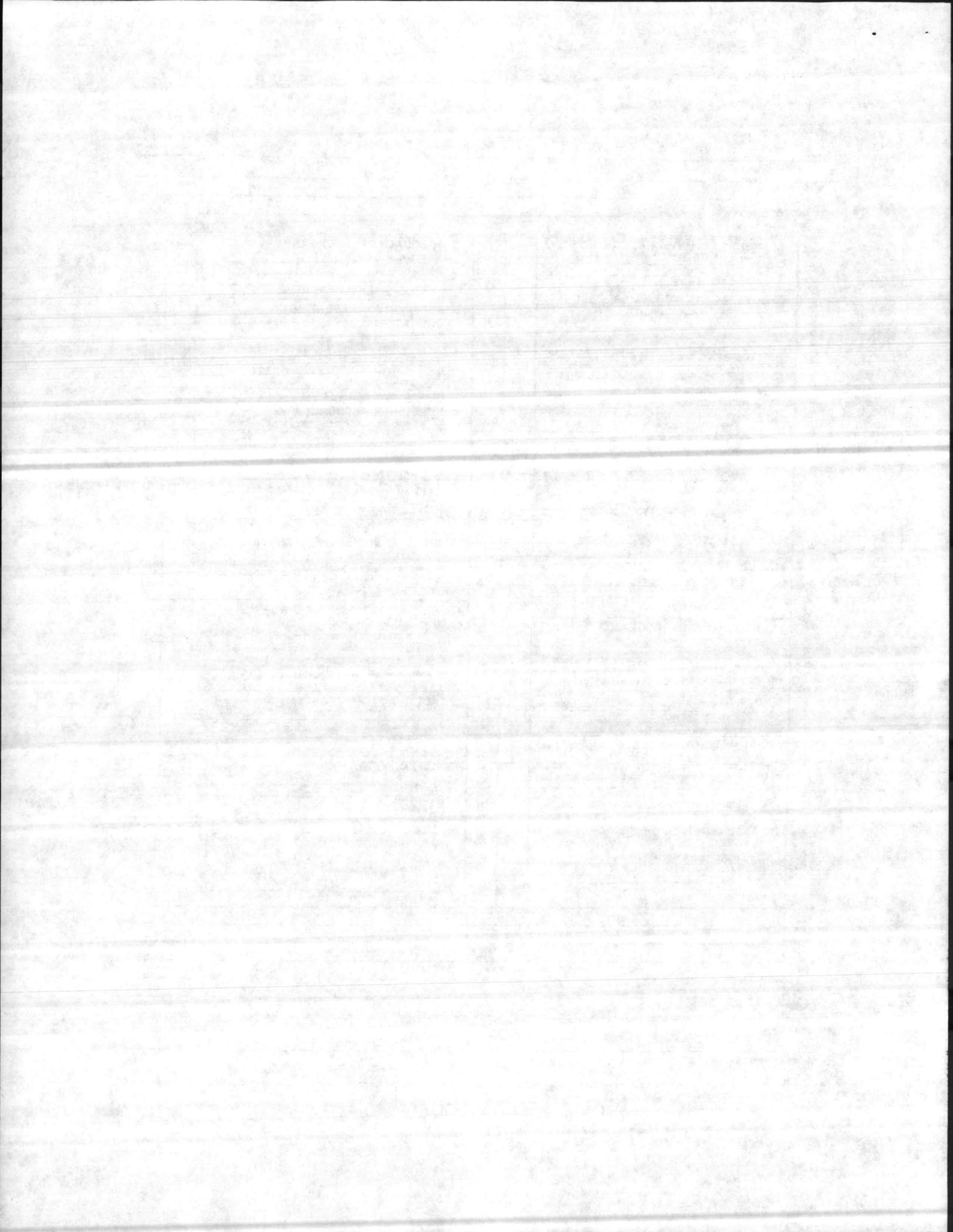
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24. VA CONDUCTED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

25. VA APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_



## COMPLETING THE VULNERABILITY ASSESSMENT FORM

Mark the blocks which come closest to describing the program, function, or activity being assessed.

1. **Organization.** Enter the activity/command conducting the VA.
2. **Organization Code.** Enter your organization code.
3. **Program/Function/Activity.** Enter the assessable unit under evaluation.

**GENERAL CONTROL ENVIRONMENT.** Blocks 4-9 cover some of the organizational, procedural, and operational factors which can have an impact on the effectiveness of internal controls.

4. **Emphasis on Internal Controls.** Select one of the following:

**Major Emphasis:** Internal controls are considered in the planning and operations of functions and programs at each level within the organization.

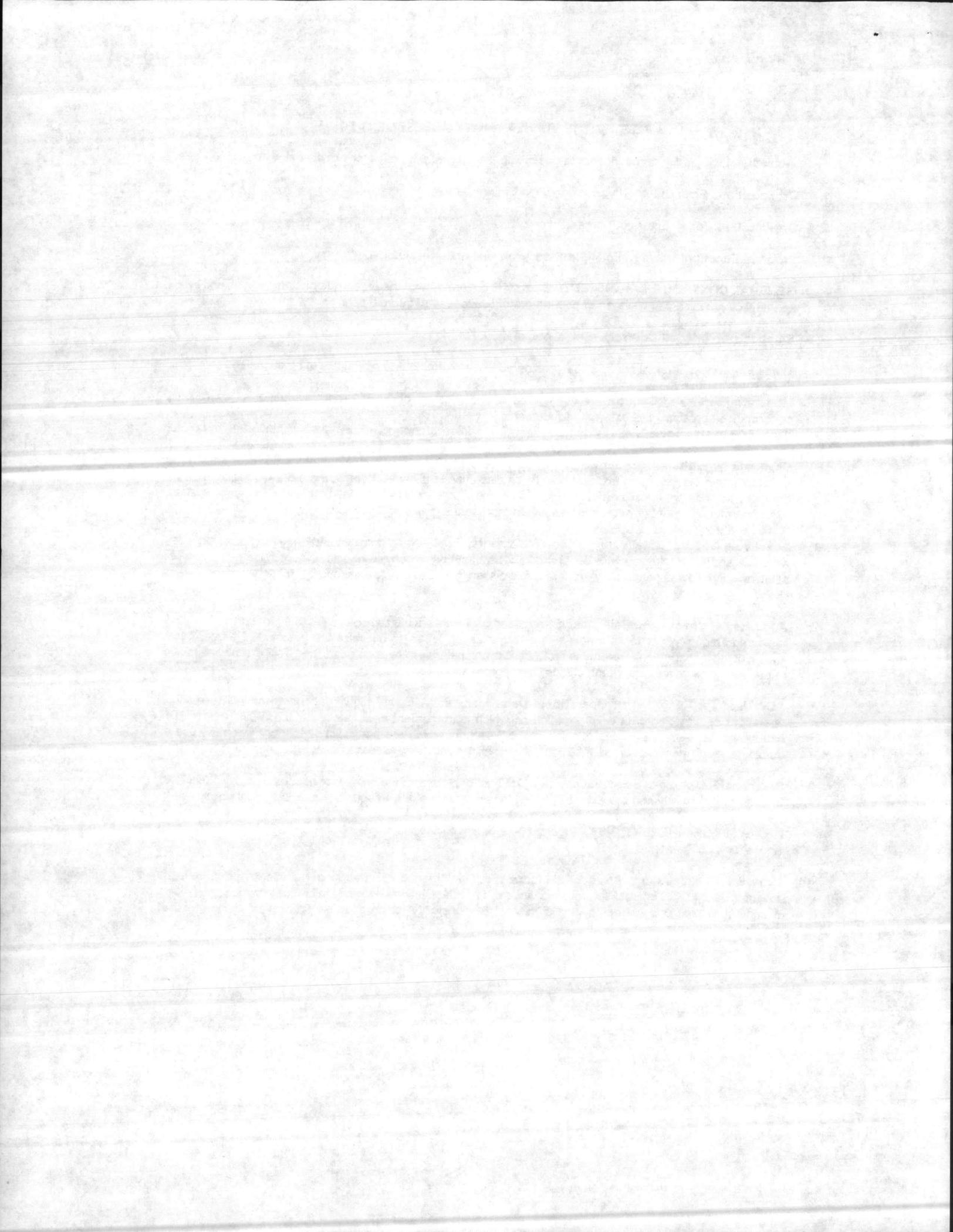
**Moderate Emphasis:** Controls are considered in one or more of the following: evaluation of operations, performance appraisal, and external requirements.

**Minor Emphasis:** There is little evident consideration of internal controls at most levels within the organization.

5. **Coverage by Written Procedures.** The basic issue is whether there are written procedures for employees to follow within the general rules, and how much discretion is allowed. Usually, the more discretion allowed, the more potential for abuse. An example involving no discretion would be the time and attendance system; allocation of staffing or budget resources would represent significant discretion.
6. **Specifying Goals and Measuring Accomplishments.** Establishing program and budgeting goals provides an office and its employees with benchmarks for measuring accomplishments. When these goals are not established, reviewed periodically, updated, and disseminated to employees, successful achievement is less likely.
7. **Adequacy of Checks and Balances.** Checks and balances are utilized so that authority for certain functions is shared among two or more employees or organization levels to minimize the potential of waste, fraud, abuse, or mismanagement. Determine first if checks and balances are appropriate, and if so, are they adequate to protect the resource from manipulation, misappropriation, etc.
8. **ADP Used for Reporting or Operational Data.** Many activities are highly dependent on ADP for either operations or providing data or information on which management decisions are made. While use of ADP can save time, there are issues of reliability and security which are particularly important when the use of automated equipment is involved. If ADP is not used for the unit being assessed, check the not applicable box.
9. **Personnel Resources.** Select the choice which best depicts both the number of needed personnel available to perform the activity and the extent to which these personnel are adequately qualified and trained.

**ANALYSIS OF INHERENT RISK.** Blocks 10-19 deal with the function's inherent potential for waste, fraud, abuse, or management.

10. **Program Administration.** An important factor in determining the vulnerability of a particular program is the extent to which DON internal control mechanisms can effectively monitor and influence program operations. If another service or a contractor has significant responsibility for program administration, inherent risk is greater.



11. **Scope of Written Authority.** Select one of the following:

**Precise:** Governing legislation or regulations, and/or delegations of authority clearly establish the amount of authority and discretion vested in program officials.

**Clarification Required:** The amount of authority and discretion is not clearly established.

**No Written Authority:** There are not written delegations or other official documentation establishing the limits on administering a program or function.

12. **Age/Status of Program.** A program or assessable unit which has relative stability over a period of years with the same fundamental mission can be potentially less vulnerable because procedures for administering its resources have been worked out and in place to a greater degree. Major new responsibilities or legislative changes can introduce greater potential for risk, as can situations involving phase out (expiration) or new programs.

13. **External Impact or Sensitivity.** Select one of the following:

**Not Applicable:** No external impact or sensitivity.

**Low Level:** Total number of individuals or organization affected are relatively small.

**Moderate Level:** The program serves or impacts a moderately sizable number of individuals or organization external to the activity.

**High Level:** Significant impact or sensitivity due to high degree of interest and potential influence of the program by external organizations. This situation exists when program managers must continuously consider the external impact of the program operations.

14. **Interaction Across Organizations.** The greater the number of activity offices or outside organizations involved in carrying out the processes of a program or function, the greater the risk of error. Select one of the following:

**Exclusive To One Office:** (e.g., classification, telephone change requests)

**Within Two Functional Offices:** (e.g., procurement requests)

**More Than Two Functional Offices:** (e.g., proposed policy directives, clearance of regulations, information collection)

**Involvement With Outside Organization:** (e.g., interagency agreements, professional organizations, or systems which involve more than one agency (i.e., payroll or administrative payment systems))

15. **Type of Transaction Document.** An instrument is a document utilized in the approval/disapproval or execution phases of a process. The base issue is the convertibility of instruments to cash or things suitable for personal benefit. Many instruments can be converted to personal use. Select one of the following:

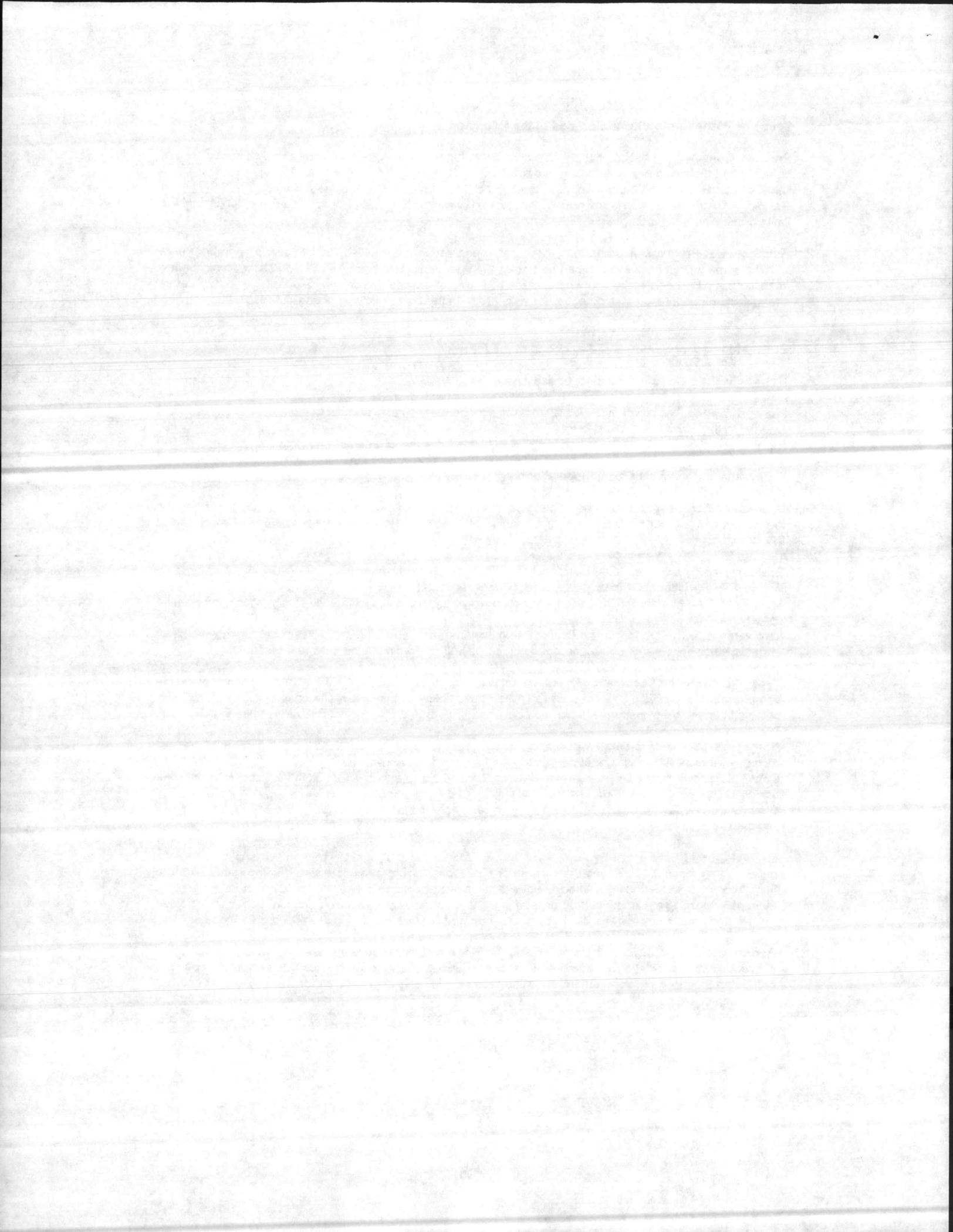
**Non-convertible Instruments:** Memoranda and letters indicating a determination or approval. These are records of transactions and cannot be exchanged for cash or services.

**Convertible to Services Only:** Numbered items, convertible to services, not cash. (e.g., government meal tickets, GTR's)

**Directly Convertible to Cash:** Negotiable items; salary checks, check received by the activity, imprest fund vouchers, etc.

16. **Interval Since Most Recent Evaluation or Audit.** The longer the interval between systematic operational reviews, the greater the likelihood that system or operational errors go undetected. It is important, therefore, that all control systems undergo periodic audits/reviews/evaluations to detect errors and initiate improvements. Indicate in block 16 the length of time passed since the last audit or evaluation, then list in block 23 the title, review, and date of any reviews or audits of program/function/activity during the previous 24 months.

17. **Recent Instances of Errors or Irregularities.** Recent errors or irregularities are indications of either a lack of internal controls or ineffectiveness or existing ones. Further, the speed with which these errors are corrected can be an indication of management commitment to minimizing opportunities for waste, fraud, abuse, and mismanagement.



18. **Adequacy of Reports.** The accuracy and timeliness of normal recurring reports (particularly financial reports) are good indicators of a well-run operation.
19. **Time Constraints.** To the extent that an activity must operate under severe time constraints, the ability to produce work of consistent quality is reduced. Such constraints generate a powerful inducement to end run system of internal control.

#### PRELIMINARY ASSESSMENT OF SAFEGUARDS

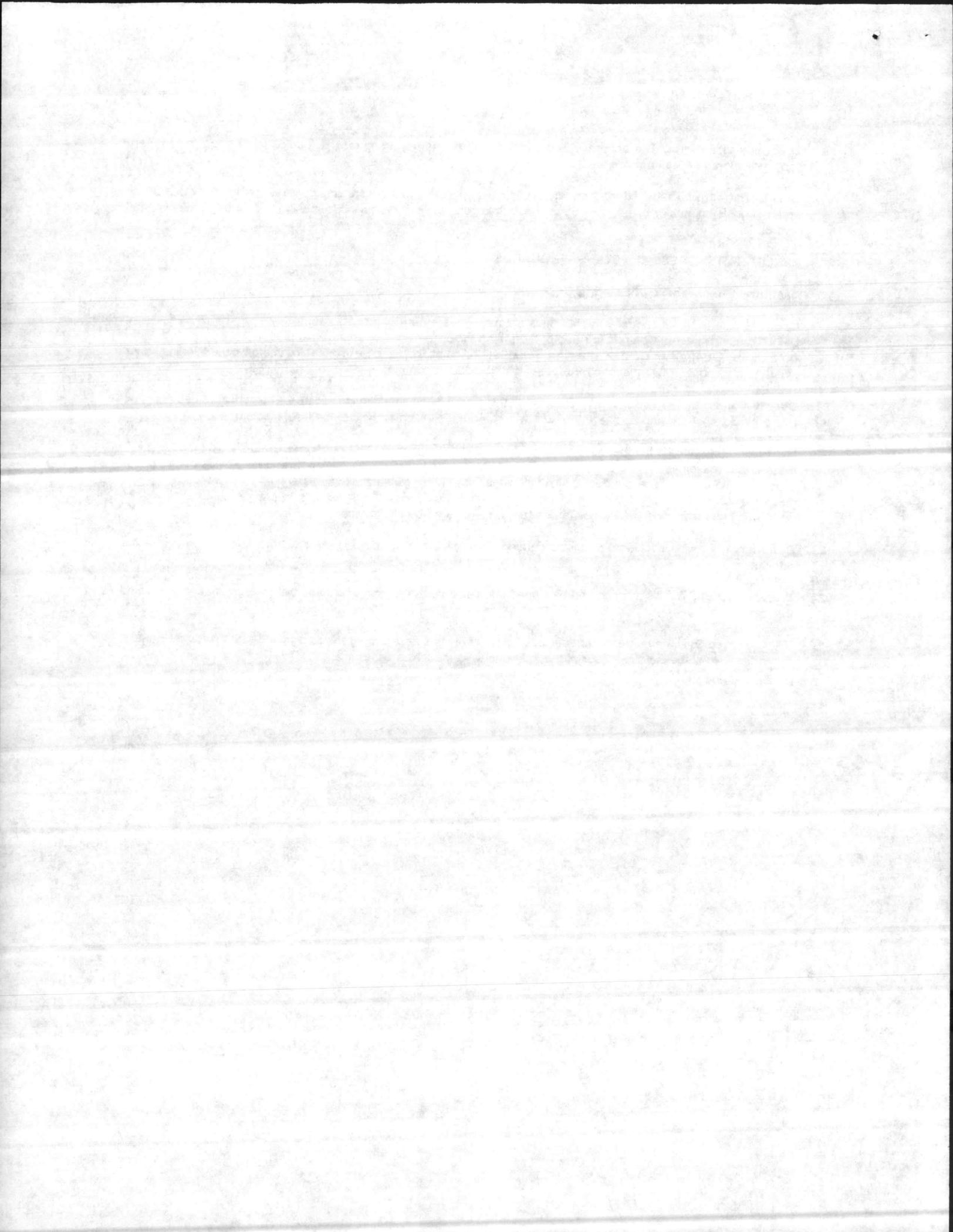
20. **Assumed Effectiveness of Existing Controls.** Select one of the following:

**Controls Adequate:** If control improvements are required they are of a minor nature.

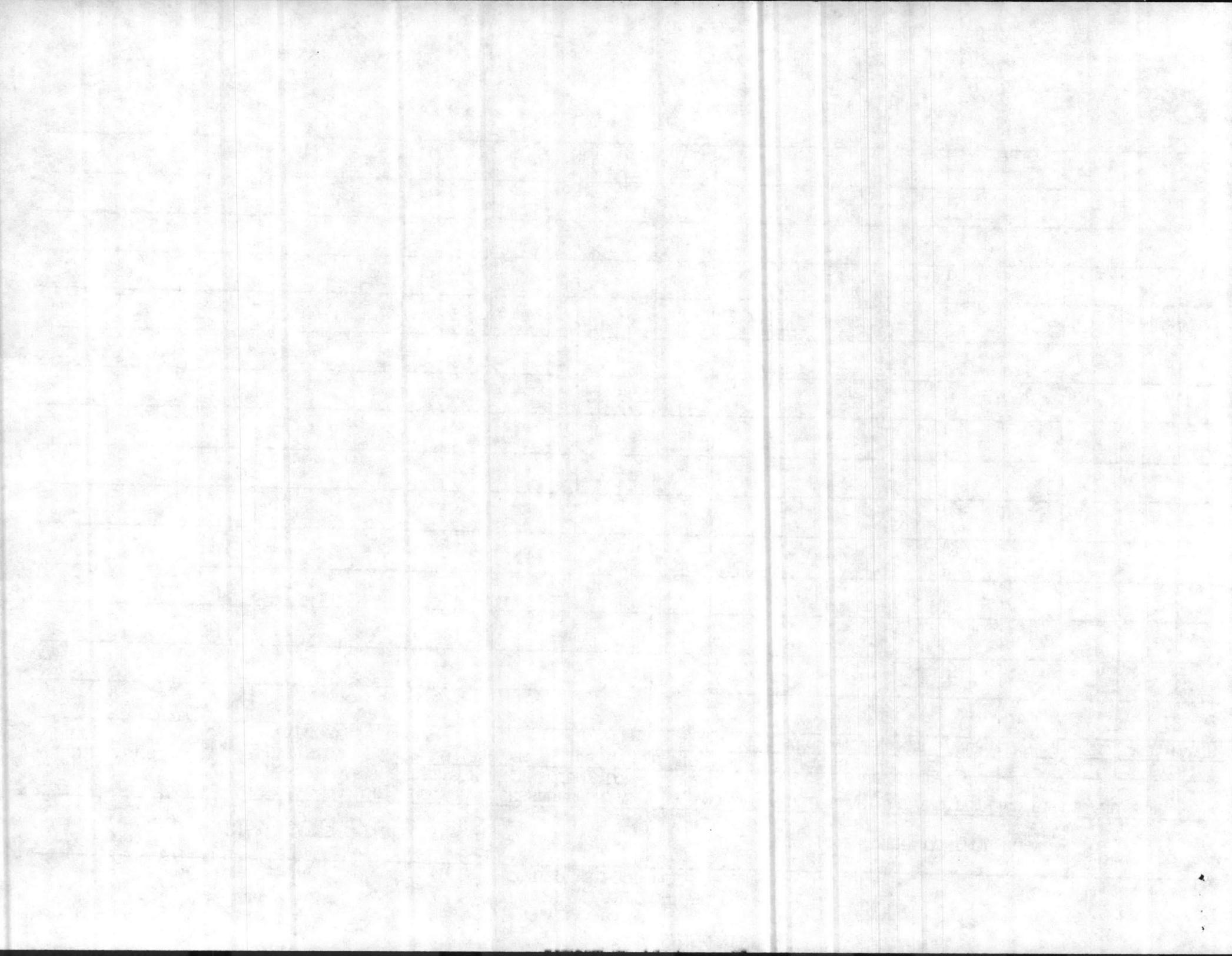
**Less Than Adequate:** Controls in need of more than minor revisions or improvements.

**No Existing Controls or Costs Outweigh Benefits:** Indicates the need for establishing internal control, or instances where costs unquestionably exceed the benefits derived from controls.

21. **Overall Vulnerability Assessment.** To arrive at the overall assessment rating add up the numerical values assigned to the blocks checked and compare the sum with the ranges indicated next to the Low, Medium, and High ratings.
22. **MCR Recommended?** In most cases, if you have marked a high overall VA on Block 21, you should indicate "Yes". If there is a reason you feel that an MCR need not be conducted in a highly vulnerable area, provide details under Block 23, Comments. The conduct of MCRs in medium or low vulnerability areas should be in consonance with guidance issued by superiors in the chain of command. Use Block 23, Comments to provide clarification for not performing MCRs in medium and low areas (e.g., not required by HQ component guidance).
23. **Comments.** Provide additional detail concerning responses in other blocks, and any other information you feel is relevant.
24. **VA Conducted By.** This form should be signed and dated by the person who made the assessment and completed the form.
25. **VA Approved By.** The management official who approves this assessment should sign and date the form. Normally, this official would be the supervisor of the individual who made the assessment.







INSTRUCTIONS FOR COMPLETING  
THE REPORT OF ASSESSMENTS AND  
MANAGEMENT CONTROL PLAN

Risk Assessment Results. Report the name and total number of assessable units under each category in your inventory (Encl (1)). Normally there will be only one assessable unit for each category. Then provide the vulnerability rating assigned each unit (high, medium, low).

Management Control Plan. Report the number of Management Control Reviews (MCR's) and Alternative Management Control Reviews (AMCR's) completed or planned for assessable units each fiscal year of the five year period ending in FY 91. For FY 87, report the number of MCRs and AMCRs actually performed.

Note: An assessable unit could have both an MCR and AMCR planned or could be reviewed more than one in a cycle. This can be due to the nature of the vulnerability or the scope of the MCR or AMCR. For the purpose of this report all reviews should be classified as Alternative Management Control Reviews.

