



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

BO 7000.4A  
COMP/ln  
29 Mar 1985

BASE ORDER 7000.4A

From: Commanding General  
To: Distribution List

Subj: Management Control Reviews

Ref: (a) MCO 5200.24 (NOTAL)  
(b) BO P5400.3E

Encl: (1) Guidelines for Conducting Management Control Reviews  
(2) Management Control Report Formats

1. Purpose. To provide information and establish report requirements concerning the conduct of Management Control Reviews.

2. Cancellation. BO 7000.4.

3. Information

a. Reference (a) requires the command to perform Management Control Reviews on an ongoing basis. Guidance contained in enclosure (1) is to be used in conducting Management Control Reviews.

b. The establishment and maintenance of management control systems is an implicit command/management/supervisory responsibility applicable to all organizational levels and functions. Reference (b) depicts the commands organizational and function responsibilities and was used as the principal source in developing Appendix A of enclosure (1).

c. Enclosure (2) provides acceptable formats for reporting the results of a Management Control Review.

4. Action

a. Assistant Chiefs of Staff, Special Staff Officers and Commanding Officers

(1) Establish a schedule of Management Control Reviews that provides for completion of reviews in all appropriate subfunctions listed in Appendix A. Schedules should include:

- (a) subfunction to be reviewed;
- (b) responsible individual or billet;
- (c) review starting date; and
- (d) review completion date.

(2) Submit schedules and status of Management Control Reviews to this Headquarters (Attn: Assistant Chief of Staff, Comptroller) as required.

(3) Ensure Management Control Reviews are conducted in accordance with the schedule submitted and in compliance with the guidelines provided in enclosure (1).

b. Internal Review

(1) Establish a Management Control Review tracking system.

BO 7000.4A  
20 Mar 1985

(2) Submit a quarterly report on the status of Management Control Reviews to the Assistant Chief of Staff, Comptroller.

(3) Provide reviewers with technical assistance as necessary.

  
R. L. FORMANEK  
Chief of Staff

DISTRIBUTION: A less Cat IV

## GUIDELINES FOR CONDUCTING MANAGEMENT CONTROL REVIEWS

1. Management control is defined as the steps an organization takes to provide reasonable assurance that:
  - a. obligations and costs are in compliance with applicable laws and regulations;
  - b. funds, property, and other assets are safeguarded against waste, fraud, loss, unauthorized use, or misappropriation;
  - c. revenues and expenditures applicable to the command operations are properly recorded; and
  - d. recordkeeping provides for the presentation of reliable financial and statistical reports and the maintenance of accountability over assets.
2. A management control system is an organized systematic process and structure that management uses in management control. It is the sum of all methods, procedures, and devices that management uses to assure compliance with applicable laws, regulations, and command policy.
3. A management control review is a detailed examination of a system of management control to determine whether adequate control measures exist and are implemented to prevent or detect the occurrence or potential for risks in a cost effective manner. "These reviews", according to SECNAVINST 5200.25 (NOTAL), "are performed by the managers responsible for the program/function under review." Reference (b), "Marine Corps Base Organization and Functions Manual" assigns specific program/function responsibilities to Staff Officers, Special Staff Officers, and Commanding Officers.
4. Basic Principles. Management control systems:
  - a. are not a new concept;
  - b. apply equally to programmatic, administrative, and financial activities;
  - c. are the responsibility of every manager;
  - d. are an integral part of normal operations;
  - e. are the mechanisms used to ensure we achieve our mission in an efficient and effective manner; and
  - f. are to be continually reviewed and evaluated and weaknesses immediately corrected.
5. In addition to preventing or detecting waste, fraud, abuse, or misappropriation, Management Control Reviews can result in the following benefits:
  - a. identify improvements in program and function administration;
  - b. monetary savings;
  - c. better management;
  - d. increased availability of resources;
  - e. reduced need to acquire additional or replacement equipment or material;
  - f. reduction in unnecessary workload requirement; and
  - g. improvement of the overall working environment.

ENCLOSURE (1)

6. Reporting Roles and Responsibilities

a. Management Control Reviewer:

(1) conducts detailed evaluation of management controls within subfunctions assigned; and

(2) completes necessary forms for division/section head. (The reviewer may be the division/section head.)

b. Division/Section Heads:

(1) develop and maintain adequate management controls;

(2) plan for the conduct of management control reviews;

(3) establish and maintain a proper control environment;

(4) identify event cycles, control objectives, and control techniques for subfunctions under their supervision;

(5) document management controls through directives, SOPs, and desk top procedures;

(6) evaluate the effectiveness of existing controls;

(7) plan and schedule corrective action;

(8) resolve audit findings and implement recommendations; and

(9) review/prepare management control reviews and forward to department head.

c. Assistant Chiefs of Staff, Commanding Officers, and Special Staff Officers:

(1) serve as the management control program manager for their department or command;

(2) ensure performance of management control reviews and corrective action by division/section heads;

(3) ensure proper delegation of management control responsibility in accordance with reference (b):

(4) designate senior staff members to follow-up on weaknesses;

(5) review division/section head management control review submissions and forward completed reviews to the Commanding General; and

(6) submit annual compliance statement to the Commanding General.

d. Assistant Chief of Staff, Comptroller:

(1) serves as command-wide management control official;

(2) coordinates the command-wide management control effort;

(3) issues management control policies and procedures;

(4) prescribes measures to ensure management controls function; and

(5) prepares Commanding General's annual compliance statement to the Commandant of the Marine Corps.

e. Internal Review:

- (1) reviews management control documentation;
- (2) confirms management controls function;
- (3) provides technical assistance;
- (4) develops and maintains a management control tracking system; and
- (5) assists the Comptroller in preparing the Commanding General's annual compliance statement.

f. Commanding General:

- (1) has overall responsibility for the command's management control system; and
- (2) submits an annual management control compliance statement to the Commandant of the Marine Corps.

7. Assignment of management control reviews to the command official responsible for the command-wide execution of a program or function as provided by reference (b) provides the following benefits:

- a. emphasizes the importance of and need for management control at all levels;
- b. shortens the time required for performing the review since the personnel conducting the review already possess detailed knowledge of the program or function;
- c. provides for the use of the Command Evaluation Program (CEP) for testing and documentation of management controls; and
- d. ensures a consistent command-wide evaluation of a program or function by a technical expert.

8. In order to test and document management controls on a command-wide basis, the reviewer of a function will find it necessary to include activities external to their department in the process. For example, in conducting a review of the financial management function, the Comptroller will have to review the procedures employed by fund administrators throughout the command; Logistics will have to include unit supply offices in their review of the supply function. Additionally, functions such as property management (i.e., plant property) may require the inclusion of certain elements of a tenant command.

CONDUCTING MANAGEMENT CONTROL REVIEWS

1. Introduction. In conducting a Management Control Review it is necessary to review both the work performed and the control systems. The control system is evaluated as it appears on paper then tested to see, if in fact, the system is being used and working effectively and efficiently. The results of the evaluation plus test outcomes will provide the data needed to select appropriate corrective actions where indicated. The command objectives for management control reviews are to:
  - a. examine in detail, functions and programs as provided by Appendix A;
  - b. determine the effectiveness and efficiency of existing controls;
  - c. identify weaknesses in the management control system; and
  - d. report the results.
2. Conducting a Management Control Review. A Management Control Review is a systematic process involving the following steps:
  - a. Plan and organize the management control effort (paragraph 4).
  - b. Analyze the general control environment (paragraph 5).
  - c. Detail data gathering (paragraph 6).
  - d. Identify event cycles within the program or function (paragraph 7).
  - e. Document event cycles (paragraph 8).
  - f. Evaluate management controls (paragraph 9).
  - g. Test management controls (paragraph 10).
  - h. Summarize results and submit report (paragraph 11).
3. The following paragraphs break the above down into the components to be completed to ensure the review is thorough, well-documented, and results are used to take necessary actions.
4. Planning the Review Effort. Planning involves determining who will do what by when.
  - a. Purpose. To ensure that Management Control Reviews are conducted in the most effective and efficient way possible.
  - b. Responsibility. The Assistant Chief of Staff, Commanding Officer, or Special Staff Officer responsible for the functions being reviewed.
  - c. Planning and organizing the management review effort involves the following activities:
    - (1) assign reviewer in writing, if other than division/section head, and areas of responsibility;
    - (2) estimate time required for each activity of the review;
    - (3) identify and collect background material;
    - (4) develop plan and time table for the review;
    - (5) establish milestone dates;

(6) establish a reporting and tracking mechanism; and

(7) finalize the schedule of event cycle reviews.

d. The management control reviewer should be knowledgeable in the program/function under review and be allowed the time necessary to complete the review correctly. When the reviewer is someone other than the division/section head, they should be the best, most dedicated person within the activity.

5. Analyze the General Control Environment

a. Purpose. To assess the degree to which the general operating environment supports or impacts the efficient and effective application of management controls.

b. Responsibility. The division/section head responsible for the function/subfunction under review or a properly delegated subordinate supervisor.

c. Areas Under a General Control Environment Review. The environment in which a function or subfunction is conducted has a major impact on the effectiveness and efficiency of management controls within the command. The following areas require review:

(1) Organizational Structure

(2) Policies and Procedures

(3) Personnel

(4) Delegation and Communication of Authority and Responsibility

(5) Planning, Budgeting, and Accounting Practices

(6) ADP Considerations

(7) Reporting Practices

(8) Command Evaluations and Audits

d. Organizational Structure. The organizational structure provides the overall framework for work performance. An effective and efficient organizational structure is needed in order to support a system of controls.

(1) Objective. To identify the organizational unit(s) performing the necessary activities of the event cycle within a function and the established reporting relationship in order to determine distribution of roles and responsibilities and effectiveness and efficiency of the organization.

(2) Methods of Evaluation

(a) Review of organizational charts and job descriptions.

(b) Interview selected personnel to confirm roles and responsibilities.

(c) Review reporting requirements.

(3) Typical Organizational Considerations. Does the organizational unit have:

(a) clearly defined and written goals and objectives;

(b) authority and responsibility to pursue these goals and objectives;

and

(c) clearly defined job descriptions which relate to goals and procedures?

(4) Is the organizational unit:

- (a) sufficiently flexible to accommodate change;
- (b) held responsible for the resources entrusted to it; and
- (c) accountable for the results of its operation?

e. Policies and Procedures. Clear-cut, understandable, and precisely stated policies and procedures are required in order to ensure established control systems are successfully used.

(1) Objective. To determine whether existing policies and procedures are clearly stated and cost-effectively implement the goals and objectives of the organization and its mission.

(2) Method of Evaluation. Review existing policies and procedures. Policies and procedures should be:

- (a) clearly stated in writing and systematically organized into manuals, directives, desk top procedures, and other publications;
- (b) systematically communicated throughout the command;
- (c) consistent with laws, regulations, directives, and policies prescribed by higher headquarters;
- (d) simple and easy to understand;
- (e) structured to avoid overlap, confusion, conflict, and duplication;
- (f) clear in identifying responsibilities and authorities;
- (g) revised and updated as necessary;
- (h) flexible enough to allow routine handling of unusual events;
- (i) structured to provide for adequate separation of duties; and
- (j) efficient and without undue burden.

f. Personnel. Management controls are highly dependent on personnel. Personnel practices must ensure the competence and integrity of the organization's personnel because control systems will fail without competent people.

(1) Objective. To determine the competence and integrity of organization personnel and personnel practices.

(2) Methods of Evaluation

- (a) Review job descriptions and requirements.
- (b) Interview selected personnel concerning job responsibilities, activities, and knowledge of required subject matter and management controls.
- (c) Review quality of work performed.
- (d) Review personnel policies and practices.

(3) Personnel evaluations should include:

- (a) relevant experience of personnel including the previous job experience, length of service, range of duties performed, education, and training;
- (b) awareness of job responsibilities and job descriptions;
- (c) personnel turnover; and
- (d) quality of work performed.

(4) Personnel practices should include:

- (a) a code of conduct;
- (b) provision for conflict of interest disclosure;
- (c) accurate and up-to-date position descriptions;
- (d) accurate and up-to-date performance standards;
- (e) periodic performance reviews (appraisals) of all employees;
- (f) a review system based upon performance; and
- (g) sufficient training to improve competency and update employees on policies and procedures.

g. Delegation and Communication of Authority and Responsibility. Appropriate delegation or limitation of authority must exist in order to support a system of management controls.

(1) Objective. To determine whether the appropriate delegation or limitation of authority exists in a manner that provides assurance that responsibilities are efficiently and effectively discharged.

(2) Methods of Evaluation

- (a) Review regulations.
- (b) Review unit missions and job descriptions.
- (c) Interview selected individuals.

(3) Delegation of authority should include:

- (a) written delegation of authority by letter or directive;
- (b) clearly delineated duties and responsibilities;
- (c) no overlapping, duplication, or conflict of duties and responsibilities;
- (d) sufficient authority to carry out responsibilities; and
- (e) division of responsibilities so that no single individual controls all critical activities or transactions. Normally, different individuals are responsible for: authorizing transactions, approving transactions, issuing assets, receiving assets, making payments, and reviewing and auditing.

h. Planning, Budgeting, and Accounting Practices. A systematic process is necessary for justifying the allocation of personnel, information, and capital resources, and carrying out operations effectively, efficiently, and economically.

ENCLOSURE (1)

(1) Objective. To determine whether adequate specification and communication of organizational goals and the extent of their achievement are achieved through the appropriate planning, budgeting, and accounting mechanisms.

(2) Method of Evaluation

- (a) Review budgeting, planning, and accounting policies and procedures.
- (b) Review existing plans, budgets, and financial records.
- (c) Review actual practices in development of plans and budgets.
- (d) Interview responsible personnel.

(3) Planning, budgeting, and accounting systems and procedures should include:

- (a) an existing operational planning process and current plans;
- (b) a budgeting system integrated with the planning process;
- (c) an accounting system integrated with the budgeting system;
- (d) effective communication of plans and budgets throughout the organization; and
- (e) clearly defined levels of operational and financial accountability.

(4) With the increased use of automated systems, reviewers should be aware of the following characteristics of an automated versus a manual system.

(a) It is possible to alter files without leaving visible evidence of the change in an automated system.

(b) Data processing may eliminate the need for certain manual procedures while creating the need for others.

(c) Several functions may be consolidated that were previously segregated under the manual system requiring compensating controls.

(d) Decrease of human involvement in handling transactions processing can obscure errors that might have been observed in a manual system.

(e) With proper controls, data processing systems can provide higher reliability through uniformity of processing.

i. ADP Considerations. When utilized, automated data processing (ADP) can greatly enhance an overall management control system. At the same time, ADP systems require special control features be built into the systems.

(1) Purpose

(a) To determine the command's use of computers and how it may affect the system of management controls on significant accounting, financing, budgetary, and/or regulatory systems.

(b) To determine the extent to which data processing resources and assets are efficiently and effectively managed and protected.

k. Reporting. The process by which data are collected, organized, transmitted, and retained must be carefully managed in order to support a system of management controls. Reporting practices should be performed in a cost-effective manner while achieving all mandatory reporting requirements.

(1) Objective. To determine whether current reporting practices are being performed in a cost-effective manner while achieving all mandatory reporting requirements.

(2) Method of Evaluation

- (a) Review implementing regulations and directives.
- (b) Review current report policies, procedures, and practices.
- (c) Identify redundant and duplicate reporting requirements.

(3) Reporting should include:

- (a) reports that are developed and submitted according to assigned responsibilities;
- (b) reporting only on matters under an individual's control;
- (c) process and performance reports showing comparison with planned performance, budget allowances, and/or past performance;
- (d) reports which are relevant, timely, accurate, and distributed properly; and
- (e) reports lacking redundancy and duplication.

1. Command Evaluations, Assistance Visits, and Audits

(1) Objective. To incorporate the findings and recommendations which resulted from command evaluations, assistance visits, and audits.

(2) Most audit or review findings have been found to be a direct result of either poor or non-existent management controls. Accordingly, responses to these findings should be incorporated into the management control system and reviewed for compliance.

6. Detailed Data Gathering

a. Purpose. To collect detailed information concerning the subfunction or event cycle being reviewed by reviewing background information and/or interviewing selected individuals.

b. Responsibility. The division/section head responsible for the function/subfunction under review or a properly delegated subordinate supervisor.

c. Material to be collected and reviewed

- (1) Vulnerability assessments
- (2) Regulations governing the function/subfunction
- (3) Policies and procedures from directives, SOP's, or desk top procedures
- (4) Planning and budgeting documents
- (5) System flow charts of the function/subfunction
- (6) Organizational charts and job descriptions
- (7) Internal and external audit reports and surveys
- (8) Command Evaluation Program or Assistance Visit Reviews

d. The end-product of the survey is a source of material for conducting the management control review and an initial set of working papers.

7. Identification of Event Cycles. An event cycle is the process used to initiate and perform related activities, create necessary documentation and gather and report data.

a. Purpose. To identify event cycles within a function/subfunction and to determine which event cycles will require the greatest amount of effort.

b. Responsible Individual. The division/section head responsible for the function/subfunction under review or a properly delegated subordinate supervisor.

c. Event cycles are identified by establishing the beginning and ending points of all work conducted by the subfunction under review. The number of event cycles identified depends upon the size of the subfunction. All subfunctions have at least one event cycle. Figure 1, Page 19, provides an example of how to identify event cycles.

d. Note in the example, Figure 1, the event cycle of contract administration is further broken down into small "sub-event" cycles. The size and scope of an event cycle is a judgement call. Once identified, event cycles should be listed using the format provided on Figure 2, Page 20.

8. Documentation of Event Cycles. Documentation requires the reviewer to list and record the steps taken in each event cycle. In listing the steps, all must be included, even those that occur infrequently or under limited circumstances. The event cycles and steps can be recorded using either a narrative or flow chart.

a. Purpose. To review and formally document the event cycle.

b. Responsible Individual. The division/section head responsible for the function/subfunction under review or a properly delegated subordinate supervisor.

c. Activities involved in documentation of the event cycles include:

(1) review of existing documentation;

(2) interview of personnel involved in the event cycle;

(3) observation of activities;

(4) preparation of narrative description of the event cycle;

(5) preparation of flow chart of the event cycle;

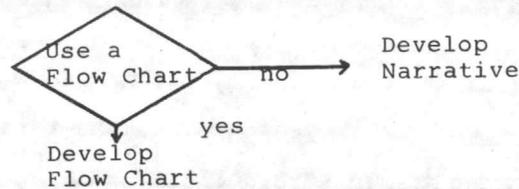
(6) review documentation with the responsible supervisor; and

(7) check documentation by tracking a sample transaction through the event cycle.

d. To identify all the steps involved in an event cycle, begin by identifying the first and last step, then fill in the remaining steps. When filling in the remaining steps the reviewer should ask: "Does the step before this one supply what I need to do this step?" and "Does it supply what I need to do the next step?"

e. Narrative vs. Flow Chart. Generally, a flow chart with supplemental narrative will provide the best picture of the steps and interactions within an event cycle. For example:

FLOW CHART



Narrative

Decide if a flow chart will be used.  
IF NO .... Develop Narrative  
IF YES ... Develop Flow Chart

The graphic representation of a flow chart allows easy access to information. When possible, flow charts should be used.

f. Narrative. Figure 3, Page 21, provides a format that can be used to record the steps within an event cycle.

g. Flow Chart. Flow charting often looks more complex than it really is. The following tips will make flow charting a little easier:

- (1) Be brief
- (2) Show steps in Sequence
- (3) Show all Documents
- (4) Show Work Flow Among Units
- (5) Identify Workers by Job Titles
- (6) Highlight Existing Management Controls
- (7) Include Supplemental Narrative (when necessary)
- (8) Use Flow Chart Symbols

NOTE: Appendix B presents an explanation of the above flow charting tips and provides a chart of symbols. Figure 4, Page 22, provides an example of recording event cycle steps using a flow chart.

h. When completed, the narrative description and/or flow charts should represent the operation of an event cycle "by the book". The next step is to verify the event cycle by comparing it to the "real world". Verification is accomplished by interviewing the personnel responsible for individual functions of an event cycle and/or observing the performance of individuals in executing an event cycle. It is important that the reviewer maintain accurate records of interviews and observations to support his findings. These records must be included in the working papers supporting the Report of Management Control Review. See paragraph 14 below.

9. Evaluate Management Controls Within Each Event. The following "Management Control Objectives and Techniques". Figure 5, Page 23, provides a sample completed form. A blank form is provided in enclosure (2).

a. Purpose. To evaluate documentation and determine whether the system is sufficient to ensure obligations and cost are in compliance with applicable regulations and policies; funds, property, and other assets are properly safeguarded; and data is recorded to permit the preparation of reliable financial and statistical information.

ENCLOSURE (1)

b. Responsible Individual. The division/section head responsible for the function/subfunction under review or a properly delegated subordinate supervisor.

c. Management controls within an event cycle should be evaluated considering the following steps.

(1) Identify risks associated with the event cycle. The reviewer should:

(a) review vulnerability assessments conducted on the function/subfunction being evaluated;

(b) review Command Evaluation Program (CEP) checklist and previous CEPs conducted;

(c) review findings of internal and external audits and surveys;

(d) attempt to identify additional risks;

(e) assess the probability and impact of each risk; and

(f) develop a control objective to reduce or eliminate the risk.

(2) Ascertain control objectives for each event cycle. Control objectives are desired goals or conditions for a specific event cycle which, if achieved, will reduce the potential for fraud, waste, abuse, and mismanagement or assure the efficiency, effectiveness, and economy of operations. Control objectives help direct the control effort and track accomplishments. They should be:

(a) designed to minimize identified risks;

(b) in writing;

(c) complete, logical and applicable; and

(d) established for each event cycle.

Most event cycles will have more than one critical task and therefore more than one control objective. The first step in preparing control objectives is to identify the areas of risk within an event cycle or the potential for elements of the event cycle going out of control.

(3) Sample Risks and Control Objectives

(a) Fees and Collections:

Risk to be Avoided

Employee diversion of receipts to personal use.

Amounts improperly written off.

Errors in transaction postings to registers, and ledgers not promptly discovered.

Specific Control Objective

All fees, advances on fees, and other collections are properly assessed, identified by type, control totals are developed, and receipts promptly deposited.

All transactions are promptly recorded to the proper accounts; all receipts are properly recorded.

Tampering with account balances encouraged by knowledge that controls are not effective.

Collections are properly accumulated, summarized, and deposit slips accurately prepared and promptly submitted.

Problems do not receive prompt attention, resulting in revenue loss.

(b) Property Assets:

Risk to be Avoided

Specific Control Objective

Purchase of unnecessary assets.

Asset transactions are initiated by authorized individuals in accordance with established criteria.

Fictitious purchases with or without kickbacks to employees.

Disposal or scrapping of serviceable assets.

Established criteria include a central review of requirements for possible redistribution of assets or consolidated procurement.

Unnecessary procurements.

Procurement in excess of amounts originally approved without proper review or approval.

Prior approvals are obtained for significant asset procurements.

Theft of equipment.

Assets are recorded accurately in records. The assets are compared to recorded balances and vice versa, at reasonable intervals (periodic inventories). Assets are properly safeguarded.

Loss of assets through inadequate security.

Unauthorized disposal of assets.

(4) Identify and document management control techniques. Management control techniques are a series of carefully constructed checks and balances designed to provide reasonable assurance that control objectives are achieved in an efficient and effective manner. Control techniques have the following characteristics:

(a) There may exist one or more control techniques for each control objective.

(b) Control techniques may satisfy multiple control objectives.

(c) They should be written down and formally documented.

(d) They should be reviewed to determine whether they enable control objectives to be satisfied and risks minimized.

(e) They should be efficient and effective.

(5) Control techniques include:

Financial Plans  
Position Description  
Performance Appraisals  
Readiness Assistance Visits  
Budget Justifications  
Mid-Year Review  
Standard Operating Procedures  
Preventive Maintenance

Organization Charts  
Performance Standards  
Program Analysis  
Financial Reports  
Procurement Plans  
Year-End Closeout  
Manuals  
Property Control System

ENCLOSURE (1)

Annual Property Inventory  
Systematic Document Flow  
Proper Use of Forms  
Proper Distribution of Forms  
Use of Prenumbered Forms  
Proper Approval  
Surprise Cash Counts

Separation of Essential Duties  
Supporting Documentation  
Proper Processing of Forms  
Use of Receipts  
Proper Authorization  
Adequate Supervision  
Adequate Facilities

(6) Compare Control Objectives to Control Techniques. During this portion of the evaluation the reviewer identifies missing or insufficient control techniques to achieve control objectives and identifies excessive control techniques. Figure 5, Page 23, provides the acceptable means for comparing control objectives and techniques by event cycle within subfunction.

d. Methods for Evaluating Management Control Techniques. The individual responsible for conducting the management control review must:

(1) Review existing vulnerability assessments, the survey of the component, and all documentation gathered.

(2) Analyze the adequacy of the design of control objectives and techniques considering:

(a) Do control objectives exist for each risk identified?

(b) Do existing control techniques satisfy the control objectives?

(c) Are existing control techniques excessive or inadequate?

(d) Can or should other control techniques be used to reduce risk and/or improve efficiency?

(3) Figure 5 provides the appropriate format for listing and reviewing control objectives and techniques by event cycles within subfunctions and risk.

e. End Product of the Evaluation of Management Controls. When the reviewer has completed the evaluation of management controls within each event cycle as set forth in this paragraph they should be able to identify:

(1) necessary management control techniques which need to be tested;

(2) control objectives for which control techniques are not adequate and corrective action that must be taken; and

(3) control techniques that are unnecessary and can be eliminated.

10. Compliance Testing of Management Controls. Testing and sampling are roughly identical in meaning, and involve selecting items from a population of items with the intention of arriving at an approximation of some characteristic present in the population. The characteristic may be an attribute such as the presence or absence of an authorizer's initials or whether the extension of quantity and price has been correctly made. Figure 6, Page 24, provides an example of testing by sampling.

a. Purpose. To determine whether necessary control techniques are functioning as intended. This paragraph provides basic information on testing procedures and methods of sampling and evaluation.

b. Responsible Individual. The division/section head responsible for the function/subfunction under review or a properly delegated subordinate supervisor.

c. Testing Procedures. Testing occurs after the function has been fully described and evaluated in terms of management control. Test must be made to obtain evidence that the systems purported within a function are being followed in actual practice.

ENCLOSURE (1)

(1) Observation testing is used when performance of the control leaves no documentary evidence. The control itself is tested at a specific instance, through observing employees perform the function under review. Examples of functions which lend themselves to observation testing are:

- (a) security over office equipment and consumable supplies;
- (b) mail room procedures controlling the opening of the mail;
- (c) separation of duties; and
- (d) on-site inspections.

(2) Compliance testing is used when performance of the control does leave documentary evidence. The existence of control documentation and deviations from the desired control objective are tested by reviewing transactions that have processed through the system under review. The matching of purchase orders to receiving documents is an example.

(3) Planning the Test. A detailed test plan must be prepared by the reviewer before the test begins showing:

- (a) test objective(s);
- (b) testing methodology;
- (c) documentation to be reviewed;
- (d) sampling method to be used (See 10d);
- (e) period of time covered by test;
- (f) sample size; and
- (g) acceptable/nonacceptable error conditions.

(4) Testing is the process of determining that desired techniques:

(a) are being performed in accordance with documented procedures, policies, and directives;

(b) are being performed by competent personnel;

(c) are being performed in accordance with authorizations which comply with reference (b);

(d) are accomplishing stated control objectives thereby reducing a material risk; and

(e) are accomplishing these objectives in an efficient and effective manner.

(5) The reviewer must decide which controls to test and how much testing is required. As a general guide:

(a) Test controls which appear required to efficiently achieve control objectives.

(b) Don't test controls where the cost of testing exceeds the value of the test.

(c) Test only the amount necessary to ensure reasonableness of the control.

(d) Routine transactions need less testing than exceptional transactions.

(e) When only a small margin of error is acceptable, a larger sample population is needed.

(6) Testing should be performed strictly according to the plan developed by the reviewer and well documented showing:

(a) sample transactions used;

(b) date of test;

(c) schedule of test;

(d) results; and

(e) clearly show function being tested.

d. Methods of Sampling. In conducting a management control review both non-statistical and statistical sampling methods are acceptable.

(1) Non-statistical sampling may be based on the reviewers judgement. In using this method:

(a) selection of items to be tested is determined based upon the reviewer's knowledge of the document or transaction population under review; and

(b) requires in-depth knowledge of all transactions and implications.

(2) Another form of non-statistical sampling is haphazard sampling. In using this method:

(a) selection of items to be tested is not intentionally biased and yet not random;

(b) requires no prior knowledge of transaction and implications.

(3) Statistical sampling has the following characteristics:

(a) selection and evaluation of items to be tested is in accordance with specific rules based upon the mathematical theories of probability; and

(b) requires adequate knowledge of statistical sampling techniques.

(4) Regardless of the type sampling method used the sample and results must be fully documented and maintained as part of the reviewers management control working papers. Working papers are covered in paragraph 14.

11. Forming Conclusions and Taking Corrective Action. The following paragraphs provide guidance for completing the form "Listing of Major Deficiencies and Corrective Action". Figure 7, Page 25, provides the appropriate format.

a. Purpose. To determine the actions to be taken to correct weaknesses uncovered during the evaluation process and to immediately implement corrective action.

b. Responsible Individual. The division/section head responsible for the function/subfunction under review or a properly delegated subordinate supervisor.

ENCLOSURE (1)

c. In selecting the appropriate corrective action it is necessary to determine:

- (1) how the general control environment is inadequate;
- (2) where the control techniques are inadequate;
- (3) where controls are not functioning as intended;
- (4) where control techniques are excessive; and/or
- (5) in what ways are higher headquarters directives or policies causing inefficiencies.

d. Various types of corrective action can be taken in response to findings during the management control review, such as:

- (1) clarify or modify policies;
- (2) clarify or modify operation processes;
- (3) increase or modify monitoring; and
- (4) provide additional training.

e. In order to ensure corrective action is taken an action plan must be developed to include:

- (1) a listing of tasks to be accomplished in chronological order;
- (2) assign responsibility for implementing the corrective action to a competent individual with the authority necessary for success;
- (3) establish a realistic time frame for completion; and
- (4) review corrective action with the Assistant Chief of Staff, Commanding Officer, or Special Staff Officer.

## 12. Tracking Implementation of Corrective Actions

a. Purpose. To ensure corrective action is implemented immediately and that once implemented it is continued.

b. Responsible Individual. The Assistant Chief of Staff, Commanding Officer, or Special Staff Officer responsible for the function/subfunction in which the corrective action is to take place or properly delegated division/section head.

c. In tracking the implementation of corrective actions the responsible individual should:

- (1) monitor work in progress;
- (2) incorporate corrective action into performance appraisals where possible; and
- (3) document and report when corrective action is completed.

13. Reporting of Results of a Management Control Review. Reports on management control reviews should be submitted to the Assistant Chief of Staff, Comptroller.

a. Purpose. To provide documentation in support of the Commanding General's Annual Management Control Compliance Statement, and Quarterly Reports on the Status of Management Control within the command.

b. Responsible Individual. Assistant Chiefs of Staff, Commanding Officers and Special Staff Officers are responsible for reviewing and certifying reports on management control within functions/subfunctions under their control, and submitting completed reports to the Assistant Chief of Staff, Comptroller.

c. Report requirements for responsible individuals include a report on the Results of Management Control Reviews in all areas shown on Appendix A using the formats provided in enclosure (2). Reports must be supported by working papers showing either deficiencies or supporting a finding of no deficiency.

14. Working Papers. Working papers are a vital part of the management control review process. The working papers should contain all supporting documentation gathered during the management control review. A copy of the working papers should be submitted in support of each Management Control Review.

a. Outline of Working Paper Structure

(1) Provide a description of the function or event cycle being reviewed.

(2) Indicate the reviewer's name and position.

(3) Provide the date an interview took place or a test was performed.

(4) Show the source of data appearing on the workpaper -- Marine Corps Orders, Base Orders or an interview or observation and state person interviewed, what was observed, records reviewed, and testing results.

(5) Purpose and scope of work performed unless it is evident from the descriptive heading.

(6) A legend for any symbols used to describe work performed or explain certain data aspects.

(7) A summary of each evaluation step or group of workpapers to facilitate preparation of the Management Control Review Report. The summary should be cross-referenced to the applicable workpapers which support it.

(8) Indexing to facilitate an orderly management of workpapers and to enable the reviewer to refer to a specific page number.

b. General Guidelines to Conducting an Interview

(1) Interviews should be scheduled.

(2) Interviewees should be made aware of the general purpose and subject matter of the interview so they can be prepared to answer questions.

(3) Interview questions should be formulated in advance.

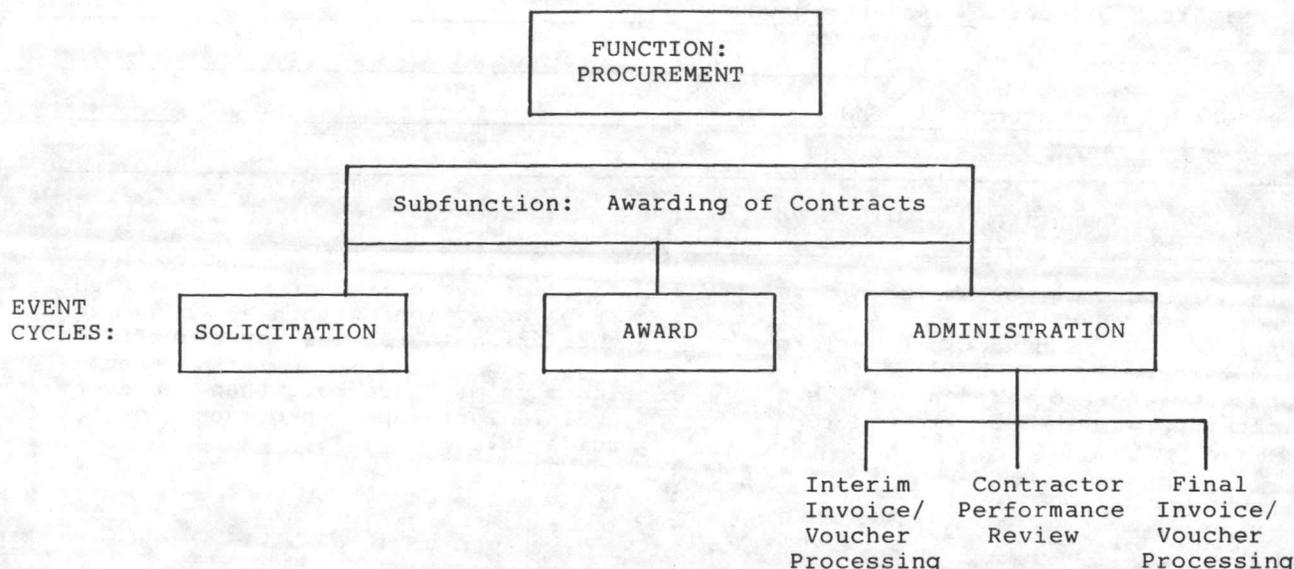
(4) Interviewers should have a general understanding of the system being discussed.

(5) Interviews should be as short as possible.

(6) Record the results of the interview immediately.

(7) The person directly responsible for a function or activity should be the one interviewed.

IDENTIFYING EVENT CYCLES -- EXAMPLE



To identify event cycles shown above the Reviewer asked the following questions:

Question #1: WHAT ACTION BEGINS THE AWARDING OF CONTRACTS IN THE PROCUREMENT PROCESS?

Answer: Identification/Justification of Need

Question #2: WHAT ACTION ENDS THE AWARDING OF CONTRACTS IN THE PROCUREMENT PROCESS?

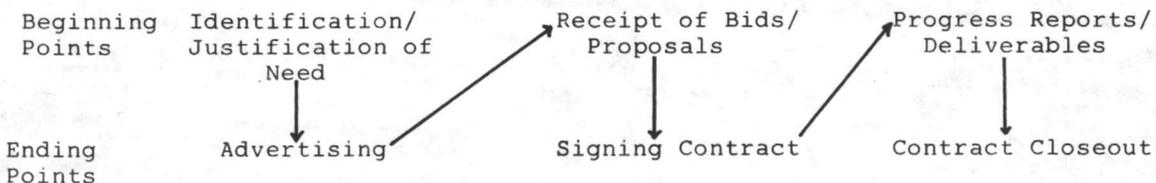
Answer: Contract Closeout

Question #3: WHAT ARE THE MAJOR GROUPINGS OF ACTIONS BETWEEN THE AUTHORIZATION TO CONTRACT AND CONTRACT CLOSEOUT?

Answer: Solicitation, Award, and Administration (Note: These become the event cycles.)

Question #4: WHAT ARE THE BEGINNING AND ENDING POINTS OF THE EVENT CYCLES?

Answer: SOLICITATION                      AWARD                      ADMINISTRATION



Question #5: SHOULD WE BREAK THE EVENT CYCLES INTO SMALLER CYCLES?

Answer: YES. . .The Administration cycle will be broken into the following subcycles: Interim Invoice/Voucher Processing, Contractor Performance Review, and Final Invoice/Voucher Processing

Figure 1.--Identifying Event Cycles



NARRATIVE APPROACH

Function: Procurement  
 Subfunction: Awarding of Contracts      Event Cycle: Solicitation

STEP (A)	RESPONSIBILITY (B)	DOCUMENTS (C)	RECIPIENT (D)	REFERENCE (E)
1) Identify/justify need.	Program Manager	Request for Contract Services	Program Director	SOP
2) Authorize Contract.	Office Director	Request for Contract Services	Procurement	
3) If not authorized, go back to STEP 1.	Program Manager		Program Area	
4) If authorized develop specifications and standards.	Program Manager/ Contract Specialist		----	Defense Acquisition Regulations
5) Calculate definitive cost estimates.	Contract Officer	None--Will become part of Request for Proposals	----	
6) Select contracting method.	Contract Officer		----	

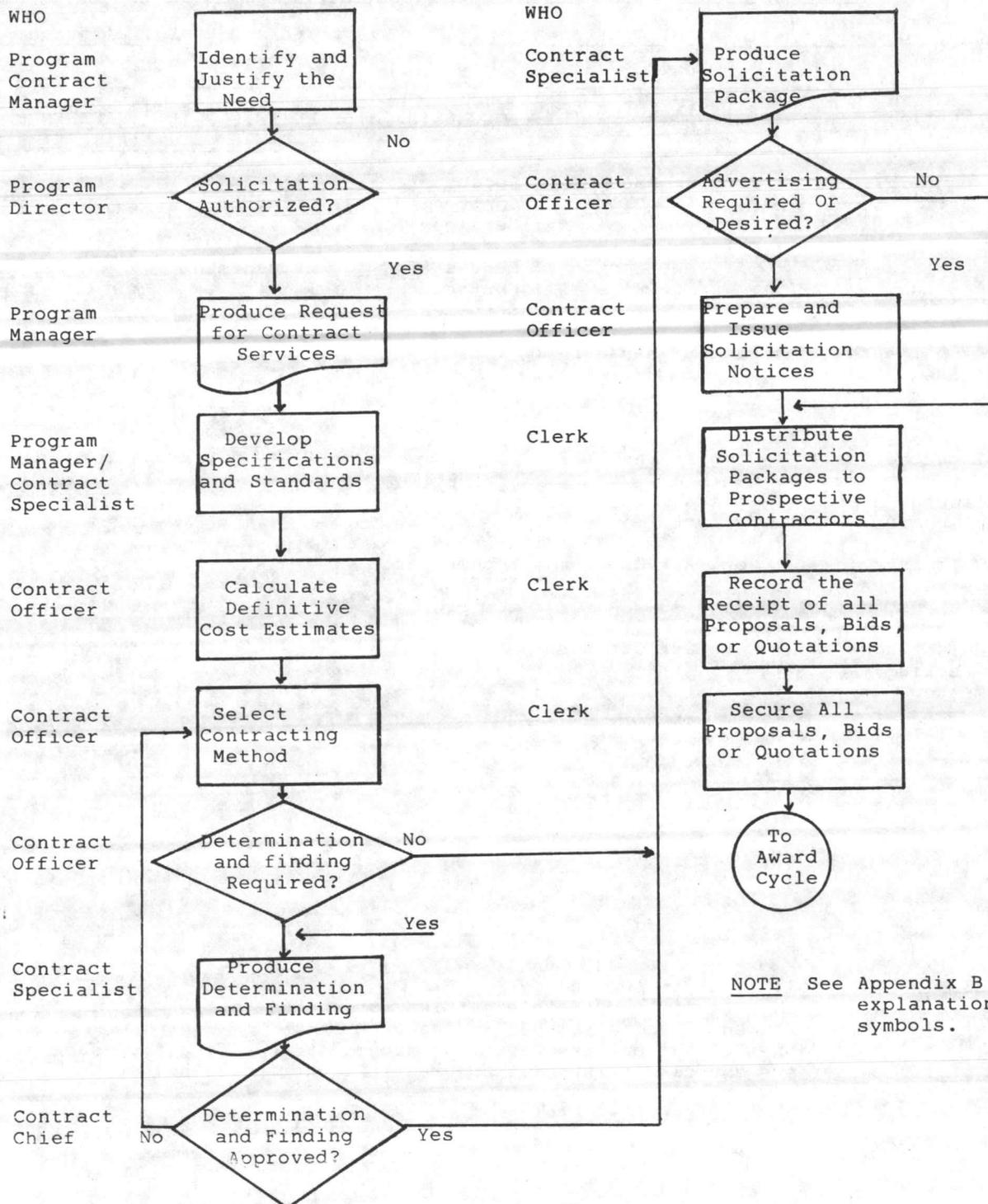
- NOTE: (A) List all steps in sequence.  
 (B) List job title of responsible parties for each step.  
 (C) List documents used/developed during each step.  
 (D) List job title of parties receiving documents resulting from each step.  
 (E) Reference sources of information used in identifying this step.

Figure 3.--Narrative Approach

LISTING AND RECORDING STEPS: FLOW-CHART APPROACH

FUNCTION: Procurement

EVENT CYCLE: Solicitation



Figures 4.--Listing and Recording Steps: Flow-Chart Approach



CONTROL TEST

Component: AC/S, Comptroller  
 Branch/Division: Base Accounting  
 Function/Program: Financial  
 Subfunction/Subprogram: Payroll System  
 Event Cycle: Payments are made only in return for services.  
 Technique: Time cards are reviewed and approved by supervisor.  
 Type Test: Sample

Results:

Period	Badge No.	Time Cards Are			Authorized	Accepted
		Available	Accurate	Authorized		
Ending 9/30	A	Yes	Yes	Yes	Yes	
	B	No	Yes	Yes	Yes	
	C	Yes	No	Yes	Yes	
	D	Yes	Yes	Yes	Yes	
	E	Yes	No	Yes	Yes	
	F	Yes	No	Yes	Yes	
	G	Yes	Yes	Yes	Yes	
	H	Yes	No	Yes	Yes	
Ending 3/31	A	Yes	No	Yes	Yes	
	B	Yes	Yes	Yes	Yes	
	C	Yes	Yes	Yes	Yes	
	D	Yes	Yes	Yes	Yes	
	E	Yes	No	Yes	Yes	
	F	Yes	No	Yes	Yes	
	G	Yes	No	Yes	Yes	
	H	Yes	No	Yes	Yes	

Sample selection is for two week periods, eight employees. Copies of error time cards attached.

Conclusions: Time cards available and approved. Significant weakness noted in accuracy. Procedures for verification need to be documented.

Prepared by: Management Control Reviewer Date: \_\_\_\_\_

Figure 6.--Management Control Testing

LISTING OF MAJOR DEFICIENCIES AND CORRECTIVE ACTIONS

Deficiency. A statement on the absence or weakness revealed during the review process.

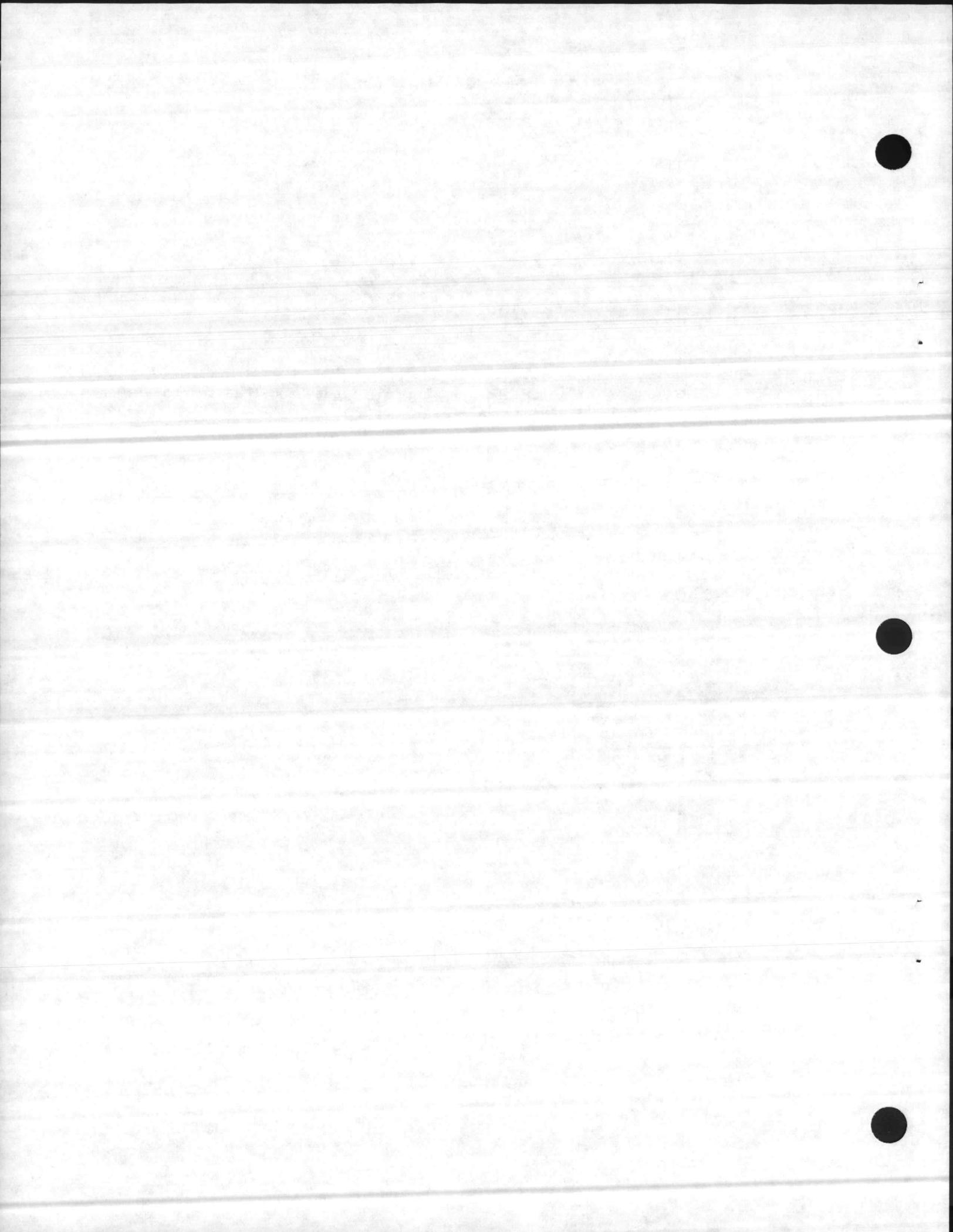
Corrective Action. Statement of actions to be completed which will correct weaknesses and deficiencies in the management control system and lead to achievement of the control objectives. Provide implementation date.

Deficiency.

Corrective Action.

Figure 7.--Conclusions and Corrective Action

ENCLOSURE (1)



MANAGEMENT CONTROL RESPONSIBLE AREAS

This appendix details areas of responsibility for conducting Management Control Reviews based on BO P5400.3E "Marine Corps Base Organization and Functions Manual". Assistant Chiefs of Staff, Commanding Officers, and Special Staff Officers are responsible to ensure Management Control Reviews are conducted in those areas under their cognizance as listed below under subfunction.

<u>Inspector</u>		
<u>Division</u>	<u>Function</u>	<u>Subfunction</u>
Military Magistrate	Legal	Pretrial Confinement
Traffic Board		Traffic Violations Referrals to Commands for Further Action
<u>Provost Marshal</u>		
Operations	Security	Internal Security Vehicle Registration Base Animal Shelter Security Clearances Enforcement of Hunting & Fishing Regulations
<u>Special Services</u>		
Operations	MWR	Administration of Special Services Activities
Custodian		Financial 1. Recordkeeping 2. Usage Fee Collection 3. Cash Counts and Verifications 4. Budgeting Property Management
Hostess House		Administration
Library		Book Procurement Subscription to Periodicals Equipment Control, Audiovisual Bookmobile
Recreation		Booking and Contracting Facilities Operation and Administration
Athletic		Planning, Provisioning and Conduct of Programs and Facilities
Maintenance		Facilities Maintenance Motor Transport Maintenance Equipment Maintenance
<u>Assistant Chief of Staff, Manpower</u>		
Adjutant	Administrative Support	General Administration Command Mail Center BCFU/CMS Congressional Interest Central Files and Office of Record Awards and Decorations Classification Testing

<u>Division</u>	<u>Function</u>	<u>Subfunction</u>
Civilian Personnel	Personnel (Civilian)	Recruitment Qualification and Evaluation Dual Compensation Restoration to Duty Promotions Reduction-in-Force Personnel Actions and Records Uniform Allowances Hours of Work Absence and Leave Retirement Employee Services Performance Appraisals Training Programs Training Records Civilian Travel
Military Personnel	Personnel	Fleet Assistance Program Personnel Reports Travel Orders
Career Planning		Military Career Planning Program
Admin Control		JUMPS MMS
Safety		Safety Program
Equal Employment Opportunity		EEO Program
Postal/Locator	Administrative Support	Security Cash Counts and Verifications
<u>Assistant Chief of Staff, Personnel Services</u>		
Command Club Management System	MWR	Administration of Clubs and Facilities Cash Controls Record Maintenance Timekeeping
Marine Corps Exchange		Administration Inventory Control Security Stock Control Personnel Financial Timekeeping Property Management Facilities
Dependents' School	Administrative Support	Facilities Administration Security Logistics Procurement Property Management Supply Transportation

<u>Division</u>	<u>Function</u>	<u>Subfunction</u>
Family Services Center		Program Administration
Educational Services	Education and Training	Off-Duty Education Program Tuition Assistance Record Maintenance
Consolidated Drug and Alcohol Center	Administrative Support	Drug and Alcohol Programs Urinalysis Screening

Assistant Chief of Staff, Training and Operations

Disaster Preparedness	Training/ Education	Disaster Training and Preparedness
Training		Training Management ROTC/JROTC Foreign Military Officer Program
Training Facilities		Training Facilities Management Range Safety Boat Crew Gas Chamber EOD
Training and Audiovisual Support Center		Equipment Control

Assistant Chief of Staff, Logistics

Operations	Supply	Physical Inventory - DSSC Supply Management Material Receipts Material Storage
Budget	Financial	Budget and Financial Management Base Equipment Replacement Program
Commissary	Administrative Support	Commissary Store Operations
Contracting	Procurement	Small Purchases Major Procurement and Contract Administration Military Construction Procurement and Contracts Awarding of Contracts
	Financial	Cash Controls Receipts
DSSC	Supply	Stock Control Functions Material Receipts Material Storage Material Issue, Delivery and Shipment Retail Issue Operations

<u>Division</u>	<u>Function</u>	<u>Subfunction</u>
Food Services	Administrative Support	Enlisted Dining Facilities Subsistence Item Management "A" and "B" Rations Operational Rations
Motor Transport	Transportation	Garrison Mobile Equipment Equipment Records Maintenance Equipment Distribution Repair Parts Licensing and Training Program
Printing Plant	Manufacture	Printing and Publications
Property Control	Property Management	Garrison Property Acquisitions Accounting Control Utilization of Equipment Transfers and Disposition
Traffic Management	Transportation	Household Goods Equipment and Resources Personal Effects and Baggage Shipping and Receiving Storage Carrier Selection Claims Settlement
Veterinary	Administrative Support	Subsistence Item Inspection Sanitation Inspection Transmissible Disease Control Animal Medical Care: Government Owned Privately Owned
<u>Assistant Chief of Staff, Comptroller</u>		
Budget and Analysis	Financial	Budgeting General Budget Formulation Budget Execution Budgeting and Cost Estimation for Project Management Budgeting for Financial Management and Resources Management Systems Appropriation and Fund Review
Accounting		Appropriation and Fund Accounting Cost Accounting Payroll Civilian Timekeeping Leave and Retirement Records
	Property Management	Plant Property Occupant Utilization Utilization of Equipment
Disbursing	Financial	Military Pay Cash Controls Cash Counts and Verifications Receipts Disbursements Other Disbursements for Travel

<u>Division</u>	<u>Function</u>	<u>Subfunction</u>
Internal Review	Audit	Financial Management Cash Counts and Verifications Cash Controls Internal Audits External Audits Hotline Administration
<u>Assistant Chief of Staff, Facilities</u>		
Administrative	Administrative Support	Personnel and T/O Management
	Facilities/ Base Maintenance	Life Cycle Cost Analysis Land Use Planning HQMC Facilities Projects (M2 and R2) and NAF Projects Space Utilization Real Property Inventory
Maintenance		Maintenance and Repair of Buildings and Grounds Maintenance and Repair of Paved Surfaces Utility Systems Engineering Support Services - Pest Control - Refuse and Garbage Collection Minor Construction Technical Inspections Control of Excess Materials
Public Works		Architecture and Engineering Studies, Designs and Cost Estimates Contract Specification Review MCON Program Agreement Administration Topographical and Survey Work
Family Housing	Property Management	Family Housing Warehousing Operation Housing Plans and Programs Off-Base Housing Referral Equal Opportunity in Off-Base Housing Assignment and Termination of Family Housing
Bachelor Housing		Administration and Operations Billeting Procedures Furniture Inventories Linen Exchange Billeting Fund
Communication-Electronics	Communications	Coordinating Communications System Procuring and Maintaining Communications Equipment Base Telephone System Cryptographic Operations Electronic Countermeasures Communication Security MARS
Fire Protection	Facilities/ Base Maintenance	Firefighting - Training - Prevention Programs - Equipment Maintenance

<u>Division</u>	<u>Function</u>	<u>Subfunction</u>
Natural Resources and Environmental Affairs		Management of Natural Resources Environmental Protection Program for Endangered Species Archaeological and Historical Resources Preservation Water and Air Pollution Prevention Hazardous Waste Disposal Soil and Wetland Management
<u>Director, Regional Automated Services Center</u>		
Data Base Manage- ment Systems	ADP	Control and Design of New Applications Data Integrity of Data Base
Data Base Manage- ment Systems		Methodology and Procedures for - Data Security - Recovery Procedures - Data Definition - Privacy Safeguards
Systems Programming		Local and Remote Computing System Proprietary Soft Ware Remote Job Entry Sites System Modifications Technical Support
Processing		Operation of Data Processing Equipment Input Scheduling, Operation, and Distribu- tion Controls Physical Security of RASC Control of Classified Material
Applications Programming		Implementation and Maintenance of Marine Corps Central Design and Programming Activities Implementation and Maintenance of Locally Designed Programs to include: - Analysis - Design - Programming - Testing - Documentation
Data Network		Operation and Maintenance of Sub-Networks Terminal-to-Computer Communications
<u>Assistant Chief of Staff, BOSMAD</u>		
BOSMAD	Administration Support	Administration of Efficiency Reviews Productivity Improvement Programs Forms and Reports Control Program Information Systems Mangement Placement of Remote Terminals and Printers Model Installation Program Defense Regional Interservice Support Program
<u>Staff Judge Advocate</u>		
Administrative	Legal	Legal Administration Review Procedures Voting Program

<u>Division</u>	<u>Function</u>	<u>Subfunction</u>
Court Facility	Financial	Witness Travel

Commanding Officers, Headquarters Battalion and Support Battalion

S-1	Administrative Support	Postal Files and Directives Publications Reports Control Service Records Control of I.D. Cards Legal Administration
S-3	Training and Education	Drug and Alcohol Program Marksmanship Training Physical Fitness Testing Weight Control Program Essential Subjects Program MCI Program
S-4	Supply	Supply Management - Receiving - Storage - Distribution
	Financial	Memorandum Records
	Security	Armory
	Property Management	Utilization of Equipment Quarters Management
	Administrative Support	Mess Halls

Commanding Officers, MCES, MCSSS, FMSS, and ITS

Administrative	Administrative Support	Postal Legal Administration Publications Files and Directives Service Records
	MWR	Special Services
Academic	Training and Education	Academic Operations Instructional Systems Design Apprenticeship Program Conduct of Marine Corps Required Training Course Content Review Instructor Evaluation System
Support	Supply	Supply Management - Receiving - Storage - Distribution
	Financial	Memorandum Records
	Property Management	Utilization of Equipment Quarters Management

<u>Division</u>	<u>Function</u>	<u>Subfunction</u>
Support (cont)	Security	Organic Weapons
Area Commanders	Administrative	Mess Halls
	Security	Area Security
<u>Commanding Officer, Rifle Range Detachment</u>		
S-1/Adjutant	Administrative Support	Personnel Administration
		Legal Administration
		Publications
		Directives and Correspondence
Area Security Guard	Security	Area Security
Special Services	MWR	Issue and Recovery of Equipment
		Records Maintenance
		Recreational Facilities Maintenance
S-3	Training and Education	Range Operations and Assignments
		Initial and Requalification Records
		Weapons Storage and Control
S-4	Supply	Supply Administration
		Ammunition Storage and Issue
		Maintenance
		Food Services
		Facilities
		Mobile Garrison Equipment
Match XO	Issue and Recovery of Supplies and Equipment	
	<u>Commanding Officer, Reserve Support Unit</u>	
S-1	Administrative Support	Reserve Pay
		Files and Directives
		Publications
		Reports Control
		Service Records
S-3	Training and Education	ATD Training
		Training Assistant Training
Supply/Fiscal	Supply	Supply Management
		- Receiving
		- Storage
	Financial	- Distribution
		Memorandum Records
<u>Base Chaplain</u>		
Chaplain	Administrative Support	Base Chapel Administration
	Financial	Chapel Funds
	Training and Education	Religious Program Control Chaplain Aide Training Continuing Education for Chaplains

Commanding Officer, Brig

<u>Division</u>	<u>Function</u>	<u>Subfunction</u>
Administrative	Administrative Support	Postal Files and Directives Publications Prisoner Records
Support	Supply	Supply Management - Receiving - Storage - Distribution Prisoners Personal Effects
	Financial	Memorandum Records Prisoner Funds Cash Verification Counts

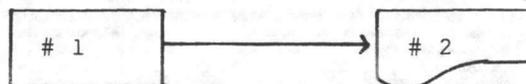
Director, Joint Public Affairs

Administrative	Administrative Support	Files and Directives Publications Information Programs
Support	Property Management	Audio Visual Equipment
	Financial	Memorandum Records



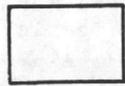
## FLOWCHARTING

1. Introduction. Documentation of event cycle steps is essential to the Management Control Review process. While both narrative and flowcharting are acceptable, flowcharting is preferred. For those event cycles which lend themselves to flowcharting the following tips will make flowcharting a little easier.
2. Be Brief. Flow charts should be simple and uncluttered, to keep the visual map clear and useful. Begin each step with a verb, if possible. Try to avoid complete sentences in the flow chart. Paragraph 8 shows how to include necessary explanations and indepth information in a supplemental narrative. The flow chart should, however, contain sufficient detail to permit identification and evaluation of management controls.
3. Show Steps in Sequence. Flow charts present steps in the sequence in which they occur. Show the flow of steps and documents vertically from top to bottom, and from left to right. Arrows are used to point out the order of steps (see paragraph 9). Identify beginning points clearly.
4. Show all Documents. When flowcharting, show every copy of any documents produced. Each copy of multiple-copy documents should be numbered or otherwise identified. Every document entered into the system must also be shown in a flow chart.
5. Show Work Flow Among Units. A major advantage of flow chart documentation is that it presents relationships between steps and between different operating personnel or units. Documentation flowing between personnel or work units should be included in flow charts.
6. Identify Workers by Job Title. In most flow charts, the person performing each operation should be identified by job title rather than by name. Use of job titles provides the reviewer with a clear indication of the level and type of personnel responsible for performing each step. Job titles also help the reviewer identify areas of inconsistent duties (and possible management control weaknesses). Finally, a flow chart giving job titles and not names does not require revision whenever there is a personnel change.
7. Hightlight Existing Management Controls. While evaluating the system, highlight existing management controls directly on the flow chart. Excessive unnecessary controls, or obvious weak areas, can also be highlighted on the flow chart. (Use a different color ink, or a symbol, to highlight areas of special concern.)
8. Include Supplemental Narrative When Necessary
  - a. Use a supplemental narrative to expand upon or explain the graphic information shown on the flow chart. Often, including explanatory comments in a separate narrative will help keep the flow chart itself uncluttered.
  - b. The narrative should include relevant time frames, estimates (e.g., number of things processed, dollar amount processed, error rate), and cross-references to supporting documentation.
9. Use Flow Chart Symbols. Use flow chart symbols to represent both steps and documentation. Symbols show the exact point where each step occurs. Correct use of symbols saves words. For example, the symbols:



tell us that the step or process named within Symbol #1 results (arrow) in the document named in Symbol #2. Some standard symbols are presented below.

STANDARD FLOW CHART SYMBOLS



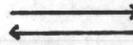
Process or Procedure



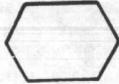
Connector



Input or Output



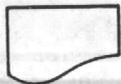
Flow Direction



Preparation/Origination



Flow Direction



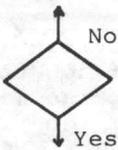
Document



Communication Link



Start/Stop



Decision

(NOTE: There should always be two arrows going out of a decision point: one for "no" decision procedures and one for "yes" decision procedures.)

\*A plastic template giving patterns for the various flow chart symbols is a helpful tool for efficient flowcharting.

MANAGEMENT CONTROL REPORT FORMATS

1. The following pages provided acceptable formats for reporting the results of Management Control Reviews. To the maximum extent possible, formats should be used as provided.
2. When completed, reports on Management Control Reviews should be assembled in the order shown below:
  - a. Cover letter with endorsement (page 2).
  - b. Report of Management Control Review (page 3).
  - c. Analyzing the Control Environment (pages 4-6).
  - d. List of Subfunctions and Event Cycles (page 7).
  - e. Management Control Objectives and Techniques (page 8).
  - f. Listing of Major Deficiencies and Corrective Actions (page 9).
  - g. Narrative or Flow Chart (see Figures 3 and 4 to enclosure (1) for an example).
  - h. Control Test (see Figures 6 to enclosure (1) for an example).
  - i. Summary of Observations (see paragraph 10).
  - j. Summary of Interviews (see paragraph 14).

ENCLOSURE (2)

BO 7000.4A  
29 Mar 1985

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

5200

From: (Division/Section Head)  
To: Commanding General, Marine Corps Base, Camp Lejeune  
Via: (Assistant Chief of Staff, Commanding Officer, or Special Staff Officer)

Subj: REPORT ON THE RESULTS OF MANAGEMENT CONTROL REVIEW

Ref: (a) CG MCB CLNC ltr

Encl: (1) Management Control Review of (Subfunction)

1. In accordance with the reference, a Management Control Review was conducted of (subfunction). Results of the review are provided as the enclosure (1).

Div/Sec Head

ENCLOSURE (2)

REPORT OF MANAGEMENT CONTROL REVIEW

Function \_\_\_\_\_

Subfunction \_\_\_\_\_

General Staff Office \_\_\_\_\_

Division/Branch \_\_\_\_\_ Phone \_\_\_\_\_

Statement of Subfunction Purpose: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Number of personnel assigned to perform subfunction: \_\_\_\_\_

Supervisor Grade: \_\_\_\_\_ MOS/Job Series: \_\_\_\_\_

Employee Grade Range: \_\_\_\_\_ MOS/Job Series: \_\_\_\_\_

References applicable to subfunction:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

Report Requirements

	Title	Recipient	Frequency
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____

Impact of subfunction on other areas of the command: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Previous Audits/Reviews: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Command Evaluation Program (CEPs) (Inspecting Offices provide blank copy of checklist):

1. Number of CEPs conducted over last 12 months: \_\_\_\_\_
2. Working papers page number(s): \_\_\_\_\_

ANALYZING THE CONTROL ENVIRONMENT

1. Introduction. The control environment is comprised of all aspects of management control. In analyzing the control environment, the reviewer should use the contents of paragraph 5 to complete the questionnaire provided below. Completed questionnaires should be forwarded as part of the Management Control Review.

Analyzing the Control Environment

QUESTIONS	YES	NO	IF NO...COMMENT
FACTOR: ORGANIZATIONAL STRUCTURE	:	:	:
1. Is the organizational chart current?	:	:	:
2. Does the organizational structure help rather than hinder work performance?	:	:	:
3. Does the organizational structure provide for proper amounts of supervision?	:	:	:
4. Does the organizational structure support a system of internal controls?	:	:	:
Overall is the organizational structure satisfactory?	:	:	:
FACTOR: POLICIES/PROCEDURES	:	:	:
1. Are policies and procedures...	:	:	:
a. Current and in writing?	:	:	:
b. Consistent with statutory authority?	:	:	:
c. Simple and easy to understand?	:	:	:
d. Revised and updated as necessary?	:	:	:
2. Do policies and procedures help rather than hinder work performance?	:	:	:
3. Do policies and procedures support a system of internal controls?	:	:	:
Overall, are the policies and procedures satisfactory?	:	:	:
FACTOR: PERSONNEL	:	:	:
1. Do personnel practices include:	:	:	:
a. A code of conduct?	:	:	:
b. Provisions for conflict of interest disclosures?	:	:	:
c. Accurate and up-to-date position descriptions?	:	:	:
d. Accurate and up-to-date performance standards?	:	:	:
e. Periodic performance appraisal of all employees?	:	:	:
f. A reward system based on performance?	:	:	:
g. Sufficient training opportunities to improve competency and update employees on new policies and procedures?	:	:	:

QUESTIONS	YES	NO	IF NO...	COMMENT
2. Do personnel practices support a system of internal controls?	:	:	:	
Overall, are the personnel practices satisfactory?	:	:	:	
FACTOR: DELEGATION				
1. Does delegation of authority.....	:	:	:	
a. Exist in writing?	:	:	:	
b. Clearly delineate duties and responsibilities?	:	:	:	
c. Prevent overlapping, duplication, and conflict of duties and responsibilities?	:	:	:	
d. Grant sufficient authority to officials to carry out their responsibilities?	:	:	:	
e. Divide responsibility so that no single official controls all phases of a critical transaction?	:	:	:	
2. Does delegation of authority support a system of internal controls?	:	:	:	
Overall, is the delegation of authority satisfactory?	:	:	:	
FACTOR: BUDGETING				
1. Is there a long-range planning process?	:	:	:	
2. Is the budget system integrated with the planning process?	:	:	:	
3. Is the accounting system integrated with the budget system?	:	:	:	
4. Does the approved budget become the operating plan?	:	:	:	
5. Are plans and budgets effectively communicated throughout the organization?	:	:	:	
Overall, is the budgeting and planning process satisfactory?	:	:	:	
FACTOR: COMMUNICATION				
1. Do performers receive feedback as a result of supervisory monitoring?	:	:	:	
2. Do formal or informal mechanism exist for management to get suggestions or other information from line personnel?	:	:	:	
3. Do formal or informal mechanisms exist for sharing information across work units?	:	:	:	
4. Does the communication among staff support a system of internal controls?	:	:	:	
Overall, is the communication within the activity satisfactory?	:	:	:	

QUESTIONS	: YES :	: NO :	: IF NO...COMMENT
<b>FACTOR: APD CONSIDERATIONS</b>			
1. Are data safeguarded to prevent unauthorized access, improper changes or loss?	:	:	:
2. Do appropriate controls exist to detect unauthorized use of the system?	:	:	:
3. Are there procedures in place to ensure that data entered are: authorized/approved, complete, accurate, and timely?	:	:	:
4. Are there procedures in place to ensure that data outputs are: complete, accurate, and timely?	:	:	:
5. Are the personnel aware of the control risks in ADP systems?	:	:	:
<hr/>			
Overall, are ADP systems satisfactory ?	:	:	:
<hr/>			
<b>FACTOR: REPORTING</b>			
1. Are reports timely, accurate, useful, and distributed to appropriate users?	:	:	:
2. Do progress or performance reports show comparisons with planned performance, budget allowances, and/or past performance?	:	:	:
3. Are reports made in accordance with prescribed directives?	:	:	:
4. Are personnel required to report only on those matters within their control?	:	:	:
5. Are reports made on the internal control system?	:	:	:
<hr/>			
Overall, is the reporting process satisfactory?	:	:	:
<hr/>			





LISTING OF MAJOR DEFICIENCIES AND CORRECTIVE ACTIONS

Deficiency.

Corrective Action.

Deficiency.

Corrective Action.

ENCLOSURE (2)

