



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

BO 7510.3C
COMP/lm
14 Jun 1985

BASE ORDER 7510.3C

From: Commanding General
To: Distribution List

Subj: Navy Audit Utilization and Reporting

Ref: (a) SECNAVINST 7510.7C
(b) MCO 7510.3B

Encl: (1) Procedures and Actions to be Taken in Processing Naval Audit Reports

1. Purpose. To amplify Naval Audit procedures as set forth in references (a) and (b) and to provide internal command procedures and time frames within which reports of audit will be processed.

2. Cancellation. Base Order 7510.3B.

3. Background. The Naval Audit Service (NAVAUDSVC) is comprised of a Headquarters located in the Washington, D. C. Metropolitan Area, and six Naval Area Audit Services (NAVAREAUDSVCs). The NAVAREAUDSVCs are responsible to the Director, Naval Audit Service, for planning, supervision, conduct, and review of all internal audits of Naval activities within their assigned geographical areas. The NAVAREAUDSVC, Norfolk, Virginia, maintains a Naval Audit Site at Marine Corps Base, Camp Lejeune, which has responsibility for audit of mission functions of all organizations, activities, components and levels of management at this Base. This Audit Service is maintained to conduct continuing reviews of the following functional areas:

a. Personnel Management. Manpower Control, Military Pay, Payroll and Time-keeping, Marine Corps Engineer School, Marine Corps Service Support Schools, and Base Education.

b. Support Services. Dependents' Schools, Utilization of Transportation and Material Handling Equipment, Rifle Range, Special Services, Commissary Stores, Public Works, Food Service, Automated Data Processing, Printing Plant, Correctional Custody, and Safety Office.

c. Supply Management. Receipt Control, Storage, Direct Support Stock Control, Shop Stores, Household Goods, Freight/Passenger Transportation, Preservation, Packaging and Packing, and Sale of Timber Products.

d. Financial Management. Appropriation and Fund Accounting, including RMS, Disbursing, Budgeting, Cost Accounting, and Plant Property.

e. Maintenance. Transportation and Material Handling Equipment.

f. Property Management. Public Works and Public Utilities, Family Housing and Furnishings, and Maintenance and Operation of Heat, Water and Sewage Plants.

g. Procurement. Small Purchases, Major Procurement Actions, and Military Construction.

h. Other areas, as assigned.

4. Concept and Purpose of Audit. Internal audit is the independent evaluation of programs, activities, systems, procedures, and other operations involving the expenditure of funds, utilization of resources, or accomplishment of management objectives. The purpose of audit is to provide service to management at all levels through the objective performance of independent evaluations to determine the adequacy and

BO 7510.3C
14 Jun 1985

effectiveness of practices, procedures, and controls. This is accomplished through objectively reporting results of audits, making constructive recommendations, and providing consultation while management plans action to be taken on findings and recommendations.

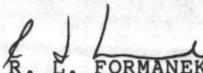
5. Relationship with Command. Internal auditing is a staff function independent of line operations. Neither the Auditor General of the Navy nor the Naval Audit Service exercises command or directive authority over activities or organizations audited. Audit results are reported and recommendations for improvement are made to appropriate levels of management for their consideration. It is management's responsibility through the chain of command to determine the particular or appropriate courses of action. On-Site Naval Audit personnel function under the direct control of the Naval Area Audit Service, Norfolk, Virginia. They will comply with Marine Corps Base regulations regarding such matters as security. The auditors will notify and obtain clearance from the Base Liaison Officer prior to beginning audits in Base activities.

6. Access to Management Information. Naval Auditors are authorized access to management information within Marine Corps Base consistent with the purpose of the audit and security clearance of the individual auditor. Such access will include making accounts, books, records, documents, and papers available for examination.

7. Action

a. Assistant Chief of Staff, Comptroller. The Assistant Chief of Staff, Comptroller is the Naval Audit Liaison Officer and is the point of contact for all matters pertaining to internal audits. He is responsible for coordinating and monitoring compliance with this Order, references (a) and (b), and for advising the Commanding General, Marine Corps Base of significant findings and recommendations disclosed in internal audit reports. An official file will be established for the maintenance of reports of contacts with the auditors, pertinent correspondence and documents, and copies of listings of any reports, directives, etc., provided to the auditors. Listings may be used in lieu of copies only if copies are retained elsewhere within the command, and the location of these copies is annotated on the listings. This file must be retained, at a minimum, the later of (a) two years after the issuance of the final report or (b) after an Inspector General visit following the implementation of all recommendations.

b. General Staff Officers/Department Heads/Commanding Officers/Section Heads. Ensure the policy as set forth in this Order and the procedures outlined in enclosure (1) are implemented. Further, ensure newly reporting officers and civilian staff personnel are made aware of the mission of the Naval Audit Service and its relationship to Marine Corps Base as part of the reporting in indoctrination procedures.


R. L. FORMANEK
Chief of Staff

DISTRIBUTION: A less Cat III & IV

PROCEDURES AND ACTIONS TO BE TAKEN IN PROCESSING NAVAL AUDIT REPORTS

1. Procedures During Audit

a. Audit utilization begins at an early point in the progress of an audit. As the audit progresses, typed drafts of individual audit findings will be provided to officials of the audited activity and to the Base Liaison Officer (Assistant Chief of Staff, Comptroller) by the auditors. This procedure provides the audited activity with an opportunity to:

- (1) Discuss audit findings informally with the auditors.
- (2) Provide the auditors with additional facts or background information.
- (3) Validate the facts and background data which support the audit findings.

(4) Prepare comments indicating concurrence or nonconcurrence in audit findings including any potential dollar benefit in advance of audit completion. Determine and explain what corrective actions the command will take, including target dates for completion of actions and incorporate this information in the comments. Comments must be provided on all recommendations along with statements on the reasonableness of facts supporting recommendations. Inaccuracies or unsound conclusions should be refuted on the basis of fact or logic. Savings and cost benefits identified in the audit should be specific by appropriation, fiscal year, budget project, etc., as the savings reported can be the subject of a budget markup against the command in the final audit report. It is mandatory that cost savings developed by the audits and included in the findings be validated or refuted by the command. Disputatious language and tone and opinions not supported by fact will be avoided in replying to the auditors. Auditor allegations must be placed in proper perspective, relating them to the time frame of the reported deficiency and conditions existing at the time.

b. As the audited activity completes the action on individual audit findings required in paragraph 1a(1) through (4) above, the item with comments will be forwarded to the Base Liaison Officer. Time frames will be established by the Base Liaison Officer with the audited activity for submission of the comments. The Base Liaison Officer will review audit findings and recommendations with the Auditor in Charge and appropriate Base officials to clarify and establish a firm basis for nonconcurrences and eliminate any misunderstanding or questionable statements. The audit findings and comments will then be delivered to the Auditor in Charge by the Base Liaison Officer.

c. After completion of the on site audit work, two reports will be submitted by the Naval Audit Service to the Base Liaison Officer for completion of audit utilization within a period of 30 days. One will be the formal report which will contain only those findings and recommendations considered material by the Naval Audit Service. The second report will be informal, normally in the form of a letter or memorandum and will contain non-material findings and recommendations. Upon receipt of the reports the Base Liaison Officer will forward them to the audited activity for completion of audit utilization within the 30 day period. During this audit utilization period the audited activity may:

(1) Reaffirm, modify, or change any comments on positions previously furnished during the audit.

(2) Suggest changes which are believed to be appropriate in the narrative presentations of audit findings or in the recommendations.

2. Upon completion of audit utilization by the audited activity, a closing conference will be held with the Commanding General, if necessary, to discuss the formal and informal report or specific items of importance, as appropriate. The Base Liaison Officer will coordinate the conference with the Auditor in Charge and cognizant Base officials. After completion of the audit utilization and closing conference the Naval Audit Service will prepare and publish its formal audit report. Non-material findings, recommendations, and comments contained in the informal report will not appear in the formal audit report, except for those nonconcurred in by the audited activity.

ENCLOSURE (1)

BO 7510.3C
14 Jun 1985

3. A copy of the formal audit report is forwarded to Headquarters, Marine Corps as well as Marine Corps Base. The informal report is not forwarded to higher authority but is retained by Marine Corps Base and at the local Naval Audit Site. Since the formal report is forwarded to CMC it is essential that Section Heads and all echelon of command thoroughly review the audit findings, statements, exhibits and recommendations and the management responses pertaining to functions under their cognizance. The purpose of this detailed review is to ensure all data included are complete and factual. This requirement applies equally to findings and recommendations addressed to Headquarters, Marine Corps for action.

4. If after the issuance of the formal or informal audit report an audited activity decides to change its previous recorded position on a recommendation, notification of such action, citing the title and number of the audit, should be reported promptly to the Base Liaison Officer (Assistant Chief of Staff, Comptroller). The notification shall include justification or rationale for the change.

5. The implementation of concurred in recommendations (material and non-material) is the responsibility of the command, and commanders will establish formalized follow-up procedures to monitor implementation until all necessary actions are completed. The command will use the Internal Review Division for monitoring follow-up actions. Also any findings which highlight deficiencies of significant importance will be considered when formulating the annual internal review program required by reference (b). The Inspector General of the Marine Corps will examine follow-up action on all recommendations on Naval Audit reports issued subsequent to prior Inspector General inspections to determine if action taken is responsive to the recommendation in the report. If appropriate action has not been taken, the facts will be included in the inspection report.

ENCLOSURE (1)