UNITED STATES MARINE CORPS
MARINE CORPS BASE
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QUANTICO VIRGINIA 22134 5001

MARINE CORPS BASE ORDER 5200.3

From: Commander
To: Distribution List

Subj: MANAGERS' INTERNAL CONTROL (MIC) PROGRAM

Ref: (a) Federal Manager's Financial Integrity Act of 1982
        (b) Office of Management and Budget (OMB) Circular A-123,
            "Management's Responsibility for Internal Control",
            Revised 21 Dec 04
        (c) OMB Circular A-123 Appendix A dated July 2005
        (d) DOD Instruction 5010.40
        (e) SECNAVINST 5200.35E
        (f) SECNAV M-5200.35
        (g) SECNAV M-5210.1
        (h) MCO 5200.24D

Encl: (1) Standards for Internal Controls in the Federal
            Government
        (2) Summary of Processes for Overall Manager's Internal
            Control (OMIC) and Internal Controls Over Financial
            Reporting (ICOFR)
        (3) Guide for Activity Internal Control Coordinators

1. <u>Situation</u>. To provide Marine Corps Base Quantico (MCBQ),
MIC Program policy in adherence to the statutory and regulatory
requirements set forth in references (a) through (c), and in
compliance with the standards implemented by references (d)
through (h).

2. <u>Mission</u>

    a. To set forth policies and establish procedures in
support of the MIC Program and provide all levels of management
with a basic understanding of managers' internal controls.

    b. To ensure that commanders, commanding officers,
directors, and functional managers are aware of their
responsibilities for the establishment and maintenance of a
system or systems of internal controls within their
command/activity. These responsibilities include determining

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that the systems are functioning as prescribed and are modified, as appropriate, to meet changes in conditions.

3. Execution

    a. Commander's Intent and Concept of Operations

        (1) Commander's Intent. Commanders, commanding officers, directors, and functional managers at all levels within MCB shall:

            (a) Develop, implement, maintain, review, and improve internal controls for all functions, programs, and operations within their responsibility;

            (b) Use the Government Accountability Office Standards for Internal Controls, summarized in enclosure (1), to integrate basic internal control strategies, plans, guidance and procedures;

            (c) Ensure that individuals who are accountable for internal control systems are identified at appropriate levels of command/management. Responsible individuals shall create and maintain appropriate documentation as directed in support of the MIC Program;

            (d) Develop, execute, track and report on Corrective Action Plans (CAP), as required, to mitigate any identified internal control weaknesses in functions, programs, or operations under their authorities;

            (e) Maintain MIC Program documentation and records per the time limits established by reference (g), and using Standard Subject Identification Code 5040/2.

        (2) Concept of Operations

            (a) Internal control is a major part of managing an organization that comprises the plans, methods, and procedures used to meet missions, goals and objectives. It is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

                1. Effective, efficient, and ethical operations,

        <u>2</u>. Compliance with applicable laws, policies, and regulations,

        <u>3</u>. Programs and resources being protected from waste, fraud, abuse, and mismanagement,

        <u>4</u>. Reliable/timely information being obtained, maintained, reported, and used for decision making,

        <u>5</u>. Reliable financial information, and

        <u>6</u>. Maintenance of public trust.

    (b) MIC is inherent in command. In today's modern environment where efficient use of resources affects not only performance, but also every other aspect of command, it is incumbent upon all commanders, division directors, and functional managers to have an appreciation and an understanding of internal control. Internal control is a major part of managing an organization.

    (c) The Marine Corps MIC Program is comprised of two distinct processes, each with the common purpose of providing reasonable assurance that effective and efficient internal controls are in place throughout the Marine Corps. The two processes are: (1) the OMIC and (2) the ICOFR. Enclosure (2) summarizes these two processes.

    (d) MIC is applicable to all functional areas (financial and non-financial). The MIC Program provides an organization a process to inventory all areas of responsibility, analyze risk, develop controls to mitigate identified risks, detect/address potential problem areas in advance, and document accomplishments.

    (e) An effective MIC Program means the organization knows what it is supposed to do (mission), who is responsible for doing it (accountability), how to properly do it (regulations and procedures), and whether it is being done as required (assessments and documentation).

    (f) The MIC Program <u>is not</u> optional. Reference (a) requires organizations and managers to report annually on internal controls through a Statement of Assurance (SOA) which leads to an annual report to Congress and the President. Active execution of the Commander's MIC Program, guided by references (b) through (h), is indispensable for MCBQ's mission

accomplishment and compliance with annual SOA submission requirements to the Commandant of the Marine Corps (CMC).

    b. <u>Subordinate Element Missions</u>

        (1) <u>Comptroller</u>

           (a) Formulate overall policy, guidance, and direction for the Command's MIC Program, and

           (b) Appoint the Head, Resource Evaluation and Analysis Branch, as the Command's MIC Program Internal Control Coordinator.

        (2) <u>Head, Resource Evaluation and Analysis Branch</u>. Following the guidelines in reference (f), coordinate the Command effort to implement the MIC Program and disseminate guidance within the Command that provides reasonable assurance that the objectives and standards of internal controls are met. Specific responsibilities are:

           (a) Serve as the central focal point to provide oversight of the MIC Program;

           (b) Appoint an alternate Command MIC Program Internal Control Coordinator;

           (c) Establish the MCBQ MIC Plan and update annually;

           (d) Command Internal Control Coordinators (ICC) and alternates shall, upon assignment, take MIC Program training. Refresher training is required every three years. Appropriate training is available through the Navy e-Learning Knowledge On-Line. The most current certificate of training shall be maintained for review;

           (e) Ensure that military/civilian personnel responsible for OMIC oversight are identified and that the respective fitness report or performance appraisal systems reflect internal control responsibilities, accomplishments, deficiencies and corrective actions undertaken and completed, as required by reference (d);

           (f) Provide MIC Program training and assist Activity Internal Control Coordinators and functional managers;

           (g) Annually, publish detailed guidance regarding the development and submission of the OMIC Program SOA and supporting requirements for the ICOFR;

(h) Establish a process for documenting MCBQ's efforts that continuously monitor (testing of controls) and improve the effective use of internal controls for all functions, programs, and operations. Maximize the use of all types of control and evaluation processes, such as, but not limited to, fund manager inspections, assist visits, verifications, evaluations, risk analyses, specific control assessments, investigations, and external audits; and

(i) Coordinate MCBQ-wide effort to meet annual MIC Program reporting requirements.

<u>1</u>. Complete ICOFR process testing, as required by CMC, and complete associated reporting requirements.

<u>2</u>. Review the results of all activity SOAs, including risk assessments, internal control assessments, and Caps, if applicable, and prepare the Command annual OMIC SOA for submission to CMC by the due date.

(k) Establish and maintain a process that identifies, reports, tracks, and corrects internal control material weaknesses and reportable conditions for the Command.

(l) Establish and maintain a Command inventory of assessable units that shall be reviewed and updated annually.

(m) Maintain records to support the OMIC and ICOFR reporting processes per references (g) and (h).

(3) <u>Command Inspector General will</u>:

(a) Evaluate compliance with this Order during inspections and investigations;

(b) Determine major internal control accomplishments and weaknesses identified during inspections and investigations; and

(c) Summarize and report results through the OMIC reporting process.

(4) <u>Activity Heads will</u>:

(a) Appoint an activity ICC, primary and alternate, in writing, to coordinate your activity's MIC Program requirements and serve as the focal point. The activity ICC is

to be the liaison between your activity and the Command ICC for coordination of all MIC Program requirements for your activity. A guide for activity ICC's is provided at enclosure (3);

      (b) Primary and alternate activity ICC is highly encouraged, upon assignment, to complete MIC Program training, and to aid in understanding the Program's philosophy and requirements;

      (c) Ensure that military/civilian personnel responsible for OMIC oversight are identified and that the respective fitness report or performance appraisal systems reflect internal control responsibilities, accomplishments, deficiencies and corrective actions undertaken and completed, as required by reference (d);

      (d) Conduct risk assessments and internal control assessments as required;

      (e) Prepare your activity's annual SOA for the OMIC and provide to the Commander, MCBQ (B 64) by the due date;

      (f) Provide documentation required for ICOFR testing to Commander, MCBQ (B 64) as requested;

      (g) Establish and maintain a process that identifies, reports, tracks, and corrects internal control material weaknesses and reportable conditions for your activity;

      (h) Establish and maintain an inventory of assessable units for your activity that shall be reviewed and updated annually; and

      (i) Maintain records for your activity to support the OMIC SOA reporting process per references (g) and (h).

4. <u>Administration and Logistics</u>. None.

5. <u>Command and Signal</u>

  (a) <u>Command</u>. This Order is applicable to all personal assigned to MCBQ.

  (b) <u>Signal</u>. This Order is effective date signed.

        /s/
        DAVID W. MAXWELL

Distribution: A

STANDARDS FOR INTERNAL CONTROLS IN THE FEDERAL GOVERNMENT

1. Control Environment. Management and employees shall establish and maintain an environment through the organization that sets a positive and supportive attitude toward internal control and conscientious management. Several factors affect the control environment:

    a. The integrity and ethical values maintained and demonstrated by management and staff. A key role is management providing guidance for proper behavior and providing discipline when appropriate.

    b. Management's commitment to competence. All personnel need to possess and maintain a level of competence that allows them to accomplish their assigned duties as well as understand the importance of developing and implementing good internal controls.

    c. Management's philosophy and operating styles also affect the environment. This factor determines the degree of risk the command is willing to take and management's philosophy towards performance-based management. The attitude and philosophy towards information systems, accounting, personnel functions, monitoring, audits and evaluations can have a profound effect on internal control.

    d. The command organizational structure provides management's framework for planning, directing and controlling operations to achieve the command's objectives. A good internal control environment requires an organizational structure that clearly defines key areas of authority and responsibility and establishes appropriate lines of reporting.

2. Risk Assessment. A precondition to risk assessment is the establishment of clear, consistent agency goals and objectives at both the entity level and at the activity (program or mission) level. Once the objectives have been set, the organization needs to identify the risks that could impede the efficient and effective achievement of those objectives at the entity level and the activity level. Internal controls should provide for an assessment of the risks an organization faces from both internal and external sources. Once risks have been

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identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

3. <u>Control Activities</u>. Internal control activities help ensure that management's directives are carried out. The control activity should be effective and efficient in accomplishing the command's control objectives. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements for budget development and execution. Some examples of control activities include top level reviews of actual performance, management of human resources, controls over information processing, physical control over vulnerable assets, segregation of duties, proper execution of transactions and events, accurate and timely recording of transactions and events, access restriction to and accountability for resources and records, and appropriate documentation of transactions and internal control.

4. <u>Information and Communications</u>. Information should be recorded and communicated to management and others within the organization who need it and in a form and within the time frame that enables them to carry out their internal control and other responsibilities. For an organization to run and control its operations, it must have relevant, reliable, and timely communication relating to internal as well as external events. Accurate information is needed throughout the command to achieve all of its objectives. Program managers need both operational and financial data to determine whether they are meeting the organizations strategic and annual performance plans and meeting their goals for accountability for use of resources. Effective information occurs in a broad sense when information flows down, across, and up the organization.

5. <u>Monitoring</u>. Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are properly resolved. Internal controls should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. Separate evaluations of control can be useful by focusing directly on the controls effectiveness at a specific time. Commands are encouraged to use inspections, management studies, audits,

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evaluation and other sources to identify internal control deficiencies that require corrective actions and reporting to the next level of command. Monitoring of internal controls includes policies and procedures for ensuring that the findings of audits and other reviews are promptly resolved.

SUMMARY OF PROCESSES FOR
OVERALL MANAGER'S INTERNAL CONTROL (OMIC) AND
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR)

1. <u>OMIC</u>. Per reference (h), the OMIC is a bottom-up process driven by lower level unit/organization leaders and managers. All programs and all operational and administrative areas are to be addressed. Annually, Statements of Assurance (SOA) are prepared at command activity levels and are forwarded to the Chief of Staff (B 64) for consolidation into one SOA for the Command. MCBQ submits to the Marine Corps Installation Command (MCICOM) the Marine Corps (CMC) an SOA, which is a certification on the effectiveness of the Command's internal controls over all functions, programs, and operations. This SOA supports the CMC SOA for the OMIC, which is forwarded to the Secretary of the Navy. Specific requirements for individual activities, SOA, and documentation will be identified through separate correspondence.

    a. The SOA is based on the risk assessments and documentation of internal control evaluations conducted during the reporting period.

    b. The SOA for MCBQ requires signature by the Command Senior Official. The SOA for each activity requires the signature of the activity senior official.

    c. The SOA must state one of three positions:

        (1) **Unqualified statement of assurance**. ("I have reasonable assurance that internal controls are in place and operating effectively, with no material weaknesses to report.")

        (2) **Qualified statement of assurance**. ("I have reasonable assurance that internal controls are in place and operating effectively, except for _____.") The qualifying issue(s) must be cited in the SOA along with appropriate corrective action plan(s).

        (3) **Statement of no assurance**. ("I do not have reasonable assurance that internal controls are in place and operating effectively.") The rationale for this statement must be summarized in the SOA cover letter.

    d. Documentation of risk and control assessments, as well as other aspects of MIC execution, shall be in sufficient detail to justify an organization's SOA. The MCBQ MIC Program

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Coordinator shall prepare a task letter annually, for distribution to MCBQ activities, regarding the level of detail necessary, to include specific SOA enclosures and recommended formats.

2. ICOFR. Per reference (h), this is a top-down process from Headquarters Marine Corp beginning with the Marine Corps official financial statements. This process focuses solely on the integrity of financial controls most important to these financial statements. The CMC SOA for ICOFR relies on testing of specific internal control test scripts throughout the Marine Corps.

    a. Annually, all organizations within MCBQ will provide all requested internal control documentation to support completion of test scripts as directed by CMC. These test scripts support the CMC SOA for ICOFR that is submitted to the Secretary of the Navy. Specific requirements for documentation will be identified and requested from respective activities.

    b. Chief of Staff, MCBQ (B 64) coordinates the distribution, completion, collection, and submission to CMC (RFA) for all test scripts involving MCB activities.

GUIDE FOR ACTIVITY INTERNAL CONTROL COORDINATORS (AICC)

Each activity head/division director shall designate in writing a primary and an alternate Internal Control Coordinator to coordinate the Managers' Internal Control (MIC) Program for their activity. It is suggested that the Activity Internal Control Coordinator be the equivalent of the Administrative Officer, or higher. The following guide/checklist is a description of typical AICC responsibilities (within a respective activity):

1. In order to have an understanding of the MIC Program, upon assignment as an AICC (primary or alternate), obtain MIC Program training. Training may be requested from the Command MIC Program Coordinator.

2. Serve as the point-of-contact for the MIC Program.

3. Oversee the implementation of the MIC Program.

4. Staff the MIC Program annual task letter, or other Command task letters for the MIC Program, out to the appropriate Assessable Unit Managers (AUMs). Provide AUMs guidance on the date that a response is required in order to consolidate your activity's response.

5. Assist AUMs with questions regarding the MIC Program and, if necessary, act as the liaison between your activity and the Command's MIC Program Coordinator to resolve any issues that evolve.

6. Review all AUM's responses and MIC Program documentation for completeness and appropriate signatures prior to forwarding your activity's response to the Command.

7. Prepare annual Statement of Assurance letter for signature by your activity's highest level of management. (Note: Allow adequate time to coordinate all of your AUM's responses, prepare transmittal letter, get signature, and submit to the Command MIC Program Coordinator by the assigned due date).

8. Maintain all documentation to support MIC Program reporting requirements.

9. Establish a process that identifies, reports, tracks and corrects internal control material weaknesses and reportable conditions.

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10. Establish procedures to increase and emphasize awareness of internal controls and the MIC Program.

11. Serve as the liaison for any command reviews or external audits of MIC Program records.

12. Provide AUMs information on MIC Program training opportunities.