



DEPARTMENT OF THE NAVY

NAVAL SEA SYSTEMS COMMAND
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IN REPLY TO

NAVSEAINST 5000.7A

Ser 00N/066

19 Jun 03

NAVSEA INSTRUCTION 5000.7A

From: Commander, Naval Sea Systems Command

Subj: COMMAND EVALUATION AND REVIEW

Ref: (a) OPNAVINST 5000.52A
(b) NAVSEAINST 5200.13B
(c) NAVSEAINST 5041.2
(d) Federal Managers' Financial Integrity Act of 1982
(e) GAO Standards for Internal Controls in the Federal Government, Manual Number GAO/AIMD-00-21.3.1
(f) Chief Financial Officers Act of 1990
(g) Government Performance and Results Act of 1993
(h) Federal Financial Management Improvement Act of 1996
(i) DON Command Evaluation Manual (CNO ltr 5000 Ser 09B4/1U51453 of 20 Aug 91)

Encl: (1 Suggested Training for CER Staff

1. Purpose. To provide updated policy and guidelines for the Naval Sea Systems Command (NAVSEA) Command Evaluation and Review (CER) Program required by reference (a). The CER Function supports the requirements of reference (b) through (h) and shall be carried out in NAVSEA Headquarters and in each NAVSEA shore activity.

2. Cancellation NAVSEAINST 5000.7 of 7 March 1990

3. Background

a. The CER function was established to ensure that all Commanding Officers continued to have an independent local

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assessment capability to carry out their responsibility to assess the efficiency and the integrity of their command functions. CER was designed to assist Commanding Officers in improving mission accomplishment, integrity and economical use of resources. CER provides a capability to detect deficiencies, improprieties, inefficiencies and to effect corrective action. Conditions which adversely impact mission accomplishment, command integrity or the efficient use of Navy resources, are ideally identified and corrected at the level of occurrence. A CER program, in order to be effective, must have the support of the Commanding Officer.

b. The CER Program is an essential element of the Commanding Officer's overall management effort and internal control process to combat fraud, waste, abuse and mis-management. In recent years, budgetary constraints have resulted in reduced emphasis on CER and Management Control Programs. Recent external audits have identified internal control failures in program areas such as travel management, purchase cards and the Management Control Program with resultant congressional interest and embarrassment to the Navy.

c. The Naval Audit Service performs the internal audit function for the Navy and Marine Corps with primary focus on Navy-wide systemic issues and programs. The Audit Service has limited resources to apply to local command issues and reviews. Accordingly, the CER function continues to be one of the primary tools at the disposal of the Commanding Officer to maintain accountability and integrity over command functions and resources.

4. Discussion. CER is concerned with evaluating internal controls and financial aspects of operations, compliance with applicable laws, economy and efficiency of operations and effectiveness in achieving program results. CER personnel additionally conduct investigations of complaints received through the Navy Hotline Program. CER is flexible and can be tailored to fit the needs of the Commanding Officer such as quick response reviews. Although CER is not a local audit office and

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does not come under the control of the Auditor General of the Navy, occasional audits may be authorized by the Commanding Officer. Audits, if conducted, must be performed in accordance with generally accepted government audit standards issued by the General Accounting Office, and by qualified personnel, who possess an auditing or accounting background.

5. Organization

a. A CER capability shall be maintained for the Commanding Officer. CER shall have independence to ensure impartiality and objectivity. Accordingly, CER must be independent from operational influences and be able to cross lines of organization within the activity. CER should be placed in a direct staff relationship to the Commanding Officer. CER reports are the property of the Commanding Officer, to the extent permitted by higher authority, and are intended for his/her sole use.

b. The performance appraisal or fitness report of the CER Office Head or manager shall be signed by the Commanding Officer. In order to maintain the independence and objectivity of the CER function, responsibility for the performance appraisal or fitness report of the CER head can not be delegated to the comptroller or other functional departmental managers.

c. CER offices or staffs shall be identified in all organizational documents, i.e., phone books, organizational charts, etc., to ensure visibility throughout the activity.

6. Staffing and Training

a. Commanding Officers shall make every effort to adequately staff their CER function with full time personnel. The complexity of operations, size and mission of the activity, inventory of Management Control Program assessable units, risk and vulnerability factors, and type of evaluations and reviews to be performed are all factors to be evaluated in determining staff requirements. For small activities such as detachments, full

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time CER staffing may not be practical. In such cases part-time use of personnel may be employed with support sought from parent command CER staff as necessary. If the CER function is performed on a part-time basis, provisions shall be made to ensure that in all review matters, independence and objectivity are maintained.

b. Temporary augmentation of the CER Staff by military or civilian subject matter or functional experts from within the command is authorized and encouraged for conduct of reviews. The CER staff will retain responsibility for the content and product produced.

c. CER staffs represent the Commanding Officer in the performance of their duties and should be selected accordingly. CER can be staffed with military or civilian positions other than the civilian job classification series GS-511. The Naval Audit Service controls the GS-511 positions in the Navy and Marine Corps. Individuals staffing CER must possess strong analytical capabilities and effective oral and written communication skills. The head of the CER function should be professionally qualified to manage the function and have a working knowledge of government auditing standards, accounting concepts, and analytical techniques and practices. Suggested CER evaluation standards are provided in The Department of the Navy Command Evaluation Training Manual, reference (i).

d. Adequate training shall be provided to maintain and enhance the professional capabilities of the CER staff. Membership in professional organizations such as the Association of Certified Fraud Examiners, Association of Government Accountants, Association of Military Comptrollers, Institute of Internal Auditors, and obtainment of professional certifications such as Defense Financial Manager is encouraged. Enclosure (1) contains suggested training for CER personnel.

7. Mandatory Reviews. The Commander, Naval Sea Systems Command may direct NAVSEA field activities to perform CER reviews of special interest items or functions. Higher command levels may also task evaluations or reviews.

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8. Hotline Program. CER personnel at NAVSEA field activities normally perform the important function of investigating Navy Hotline complaints pertaining to local command issues or employees. When conducting Hotline investigations, CER personnel should be alert to internal control or systemic deficiencies contributing to complaints. CER personnel should also monitor for trends in the types of hotline complaints received. Control or systemic deficiencies should be the subject of further review as necessary to identify appropriate recommendations for corrective action.

9. Standards. When conducting CER reviews and evaluations personnel shall comply with the following standards:

a. Independence. CER Offices and review personnel must be free from personal, external, or organizational impairments. CER personnel must not only maintain independence and impartiality, but also the appearance thereof.

b. Professional Proficiency. CER shall assign to each review those persons who collectively possess the necessary knowledge, skills, and disciplines to conduct the review. Sufficient training and development opportunities must be provided to CER staff to maintain and improve professional proficiency.

c. Scope Of Work. The scope of each effort shall include an evaluation of the adequacy and effectiveness of the organization's system of internal controls and the quality of performance in carrying out assigned responsibilities. Expanded scope reviewing should encompass the following elements:

(1) Financial. The reviewer shall determine whether there is compliance with laws and regulations that could materially affect the activity's financial statements. Financial statement audits, if conducted, must comply with generally accepted government auditing standards.

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(2) Attestation (Compliance). The reviewer shall determine whether there is compliance with internal controls, laws and regulations that could significantly affect the acquisition, management and utilization of the activity's resources and the reliability and reasonableness of performance measures.

(3) Performance (Economy and Efficiency). The review shall determine whether programs are being carried out in conformity with laws and regulations and assess performance and management results against relevant, objective criteria.

d. Documentation. The reviewer's judgments, conclusions and recommendations shall be adequately supported and substantiated by information obtained or developed during the evaluation. Sufficient documentation of the activity's internal controls as well as pertinent transactions and events evaluated must be retained in the form of working papers. Reference (i) provides guidance regarding the preparation of supporting working papers. Reviewers are encouraged to use automated or electronic means to prepare and maintain working papers.

e. Reporting. Reports shall be in a written format that communicates the results of an evaluation or review, and identifies corrective action for conditions reported. The report should communicate the reviewer's findings in a format that is clear and understandable by an informed reader. Reports shall be signed by the person conducting the evaluation or the CER head and presented to the Commanding Officer. Oral or quick reaction reports requested by the Commanding Officer or his designate should be substantiated by written documentation.

10 Responsibilities

a. The Office of the NAVSEA Inspector General administers the CER program on behalf of COMNAVSEA and the Commanders of the Warfare Centers. The Inspector General is responsible for overseeing and administering the NAVSEA CER Program and providing advice and assistance as needed to Warfare Centers, NAVSEA field activities and detachments. This includes:

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(1) Establishing, issuing, and interpreting policy and guidance on CER matters for COMNAVSEASYSKOM.

(2) Providing oversight to ensure that activities have effective CER programs in place as required by this instruction.

(3) Coordinating COMNAVSEASYSKOM or higher authority mandated reviews with subordinate activity CER staffs.

(4) Deploying CER resources to support investigation of complex Hotline cases or to support command inspections of NAVSEA field activities as determined necessary.

b. Warfare Center Commanders/Commanding Officers shall ensure that an effective and responsive CER program is maintained at their subordinate commands and activities (to include detachments) based on the policies and guidelines contained in this instruction. Entities involved in potential new organizational and Command relationships, such as Maintenance mergers and Regionalization, shall ensure that CER policy and coverage is addressed. Key responsibilities include:

(1) Ensuring that the CER organization is aligned in a direct reporting relationship free of hindrance to independence and objectivity, adequately staffed with qualified personnel, and provided with adequate training to maintain and enhance the professional capabilities of the staff.

(2) Insuring that CER personnel are not used in operational roles except as provided in paragraph 6.a.

(3) Ensuring that the head of the CER office or staff reports directly to the Commanding Officer on all matters relating to CER responsibilities.

(4) Evaluating the performance, and signing the performance appraisal or fitness report for the head of the CER function. This responsibility cannot be delegated to operational departments or functional managers.

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(5) Reviewing and approving the annual CER review plan to ensure CER resources are focused on areas of command concern.

(6) Acting as final resolution authority for any instances of management non-concurrence to CER recommendations.

(7) Ensuring that deficiencies noted in CER evaluations and reviews, management control reviews, and external audit reports are followed up on for completion of corrective actions.

c. The Head of the Command Evaluation and Review is responsible for:

(1) Preparing the Commanding Officer's annual evaluation and review plan for approval and updating the plan as required. Plans may be either on a fiscal or calendar year basis. Fiscal year plans are to be approved by 31 October of each year and calendar year plans are to be approved by 31 January of each year. Copies of the plan are to be maintained on file for review by NAVSEA command inspection personnel and other external oversight groups.

(2) Conducting special studies, reviews, analyses, evaluations, and investigations of activity operations and mission areas as directed by the Commanding Officer or approved in the annual plan. Reviews will address command concerns, including compliance with existing laws and policies, proper expenditure and control of appropriated and nonappropriated funds, economy and efficiency of operations, accomplishment of command mission, and prevention and detection of fraud, waste, abuse and mismanagement.

(3) Evaluating internal (management) controls within the scope of CER reviews and reporting results and corrective actions in resultant CER reports.

(4) Serving as the focal point and liaison for actions related to audits, surveys, and reviews conducted by external audit agencies such as Naval Audit Service, General Accounting Office, Department of Defense Inspector General, House Armed

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Services Committee. Liaison responsibilities for inspection and investigative functions are normally assigned to CER.

(5) Supporting the Management Control Program with evaluation review support. CER may serve as the Liaison or program coordinator if designated by the Commanding Officer.

11. Action. Addressees shall comply with the policy and guidelines in this instruction to ensure effective implementation of the CER Program at their activity. Any requests for deviation from these guidelines shall be addressed to SEA 00N for approval.



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SUGGESTED TRAINING FOR CER STAFF

Purpose. The purpose of this enclosure is to present types of training that would be useful in developing and maintaining reviewer skills at the appropriate levels.

Background. All Command Evaluation and Review (CER) personnel in the GS/GM 510 series are required to have completed at least 24 hours of formal accounting education. Typically, 510 series reviewers would have completed the following types of classes:

- Basic Accounting I and II
- Intermediate Accounting I and II
- Auditing
- Cost Accounting
- Quantitative Methods
- Business Communications
- Business Law

Reviewers of other series who do not have a positive education requirement shall be adequately trained to perform CER functions.

Objectives of Training. The basic objectives of training are to

1. Develop or update review proficiency skills
2. Expand the general knowledge base in administration, management, and technical skills that apply to CER work
3. Develop managerial or technical expertise in command program functional areas.
4. Obtain specialized training in a command-related high technology discipline as deemed beneficial to evaluating command mission areas.

Enclosure (1)

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Suggested Training. This following list is not meant to be inclusive. The listed training is however, representative of types of training that would be beneficial to CER reviewers:

CER review policy and methodology
Auditing standards, concepts, procedures and techniques
Written and oral communications
Study and evaluation of internal controls
Financial management
Statistical sampling
Investigation orientation
Interview techniques
Evaluation design
Data analysis
Fraud awareness
Procurement/Contracting principles
Management Control Program