



DEPARTMENT OF THE NAVY
NAVAL SEA SYSTEMS COMMAND
WASHINGTON, DC 20362-5101

IN REPLY REFER TO

NAVSEAINST 5041
OPR 00N3
15 Aug 88

NAVSEA INSTRUCTION 5041.2

From: Commander, Naval Sea Systems Command

Subj: FRAUD, WASTE AND RELATED IMPROPRIETIES

Ref: (a) SECNAVINST 5430.92A
(b) U.S. Navy Regulations of 1973
(c) NAVSEAINST 5041.1

1. Purpose. To establish policy and to assign responsibilities for the elimination of fraud, waste and related improprieties within the Naval Sea Systems Command (NAVSEA), and to supplement the guidance contained in reference (a).

2. Cancellation. NAVSEAINST 5371.1A of 6 November 1980.

3. Scope. This instruction applies to NAVSEA Headquarters, shore activities, and detachments.

4. Background. Reference (a) affirms Department of the Navy (DON) policy to eliminate fraud, waste, and related improprieties from the DON. In implementation of this policy, reference (a) sets forth responsibilities of naval officials and other personnel having cognizance over principal audit, inspection, and investigative functions in the DON. Since NAVSEA is the largest single agency within the DON in both size and scope of work, its actions to eliminate fraud, waste, and related improprieties are the most visible and have the greatest influence on the well being of this nation's industrial base. The opportunities for fraud, waste, and related improprieties in this complex organization require that priority attention be afforded to the use and potential misuse of its vast resources.

5. Policy

a. In accordance with the requirement established by Articles 1139 and 1140 of reference (b), all Headquarters and shore activity personnel, both military and civilian, shall report to proper authority all instances of fraud, waste, and related improprieties which come to their attention. "Proper authority" for Headquarters is the Inspector General, and for shore activities it is the Commanding Officer or his designated representative. Preferably, such reports should be sent via the chain of command. Each instance shall be thoroughly investigated, and where fraud, waste, or related improprieties

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are substantiated, the case shall not be closed until appropriate corrective action has been taken to prevent a recurrence and to hold accountable those who participated in or abetted the incident.

b. Headquarters managers and shore activity commanding officers shall provide for timely corrective action on all incidents of fraud, waste, and related improprieties. Appropriate administrative or disciplinary action shall be taken against those individuals who knew about but did not report the impropriety, as well as against individuals who by their inaction or incompetence indirectly allowed the impropriety to occur or continue. The supervisor who fails to provide adequate monitoring of his or her subordinates' activities and the worker who "looks the other way" while a coworker accepts a bribe both fall into this category of individuals who indirectly abet occurrences of fraud, waste, and related improprieties.

c. Completed investigations of fraud, waste, and related improprieties at shore activities shall be reviewed during Command Inspections to ensure:

(1) Proper investigative procedures were followed and the case files are complete.

(2) Appropriate action has been taken by the shore activity to prevent a repetition of each incident.

(3) Sufficient administrative or disciplinary action has been taken by the shore activity against those who participated in (or abetted through their inattention or negligence) the fraud, waste, or related impropriety.

d. The NAVSEA Inspector General is responsible for advising Headquarters and shore activities on all matters concerning the elimination of fraud, waste, and related improprieties. The NAVSEA Inspector General is also responsible for ensuring coordination of criminal, civil, administrative, and contractual remedies for all investigations of fraud or corruption related to procurement activities within Headquarters and its shore activities.

6. Action

a. Inspector General (SEA 00N)

(1) Inspect, investigate, or inquire into matters concerning fraud, waste, inefficiency, and related improprieties throughout Headquarters and shore activities.

(2) During Command Inspections, review shore activity programs to eliminate fraud, waste, and related improprieties, verifying in particular that clear assignment of responsibilities has been made within each shore activity for the effective and efficient operation of these programs.

(3) Task shore activities directly to perform investigations and inquiries into suspected or actual cases of fraud, waste, or related improprieties occurring at or related to shore activities.

(4) During Command Inspections, review shore activity use of the DOD, Navy, and NAVSEA Hotline programs, including compliance with reference (c).

(5) Coordinate the execution of Headquarters and shore activity remedies plans discussed in reference (a).

(6) Refer Headquarters personnel who request guidance concerning potential conflict of interest or standards of conduct violations to the NAVSEA Ethics Counselor (SEA 00L).

(7) Refer investigations regarding security issues to the NAVSEA Security Division (SEA 09T) for action.

(8) Request and coordinate Naval Investigative Service (NIS) assistance on cases of fraud, waste and related improprieties with criminal potential involving Headquarters personnel.

(9) Keep appropriate Headquarters management informed of investigations into fraud, waste, or related improprieties which occur in areas under their cognizance.

b. Office of Internal Review (SEA 00F)

(1) Inform the NAVSEA Inspector General of all real or potential instances of fraud or related improprieties uncovered at Headquarters or shore activities during internal reviews and evaluations of internal controls.

(2) Provide the NAVSEA Inspector General copies of all external audit reports (including those prepared by the Naval Audit Service) which identify potential fraud and related improprieties.

(3) Coordinate and monitor all external audit visits, reports, and replies thereto. This includes visits by personnel from the General Accounting Office (GAO), Defense Assistant Inspector General for Auditing (AIG(A)), Naval Audit Service (NAS), and the House Appropriations Committee for Surveys and Investigations (HAC S&I).

c. Director, Security Division (SEA 09T). Provide the NAVSEA Inspector General with interim status reports, as requested, on all cases referred by SEA 00N to SEA 09T.

d. Deputy Commanders and Staff Offices

(1) Assist the NAVSEA Inspector General when requested in reviewing, monitoring, and/or implementing (as applicable) Headquarters and shore activity remedies plans discussed in reference (a).

(2) Refer all occurrences of potential or suspected fraud, waste, and related improprieties to the NAVSEA Inspector General for evaluation and possible referral to NIS.

(3) Ensure full cooperation of all directorate and staff office personnel in responding to NAVSEA Inspector General requests for data and documents.

(4) Ensure the NAVSEA Inspector General is notified of all unscheduled requests for information from the external investigators listed below. Unscheduled requests are those which cannot be related to a specific external assignment number, job, or project. (Regularly scheduled audits and surveys are coordinated through the NAVSEA Office of Internal Review. See paragraph 6b(3) above.)

(a) Department of Defense Inspector General (DOD IG).

(b) Naval Inspector General (NAVINSGEN).

(c) Inspector General offices of other Government agencies.

(5) In addition to notifying the NAVSEA Inspector General of unscheduled requests for information, the cognizant office shall establish a written record of events, sending a copy to the NAVSEA Inspector General which includes:

(a) Names, titles, agencies, and telephone numbers of all external investigators.

(b) Locations, dates, attendees, and highlights of any meetings involving external investigators.

(c) Lists of all documents turned over to external investigators for their review or use.

e. Shore Activities and Detachments

(1) Ensure all military and civilian personnel are familiar with the requirement that suspected occurrences of fraud, waste, or related improprieties are reported to appropriate authority, in accordance with reference (b).

(2) Ensure that clear assignment of responsibilities has been made for the operation of shore activity programs to eliminate fraud, waste, and related improprieties.

(3) Ensure that remedies plans and their updates, prepared in accordance with reference (a), are forwarded to the NAVSEA Inspector General in sufficient time for review before being sent to the Naval Inspector General.

(4) Ensure appropriate and sufficient administrative or disciplinary action is taken (in accordance with applicable personnel regulations) against not only the participants in situations involving fraud, waste, and related improprieties, but also against those individuals who by their inaction or incompetence indirectly allowed the situation to occur or continue (including those who knew about the impropriety but did not report it).

(5) Advise the NAVSEA Inspector General in writing of the opening and results (including administrative or disciplinary action taken) of any investigation involving:

(a) Military personnel at or above the rank of O-5, or civilian personnel at or above the level of GS/GM-13.

(b) Suspected loss of \$20,000 or more.

(c) Suspected contract fraud or collusion between government employees and contractors, including bribery, gratuities, and conflict of interest.

(d) Potential media interest, either local or national.

(e) Defective products or product substitution.

(f) Computer fraud.

(g) Cases which are otherwise significant because of unusual or noteworthy circumstances.

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7. Reports. The reporting requirements contained herein are exempt from reports control by OPNAVINST 5214.7, paragraph G14.


WILLIAM H. ROWDEN

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NAVSEA INSTRUCTION 5041.2 CHANGE TRANSMITTAL 1

From: Commander; Naval Sea Systems Command

Subj: FRAUD, WASTE AND RELATED IMPROPRIETIES

1. Action. Modify the basic instruction as follows:

a. On page 3, paragraph 6a(2), add a last line "Also, review shore activity programs for compliance with paragraph 6e(5) of this instruction."

b. On page 3, paragraph 6b, delete "Office of Internal Review" and replace with "Command Evaluation and Review".

c. On page 5, paragraph 6e(5) delete subparagraphs (a) through (g) and replace with the following:

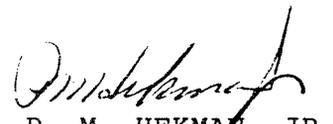
(a) Military officers in grades 0-7 and above, and civilians above grade GS/GM-15. Reporting these investigations to the NAVSEA Inspector General shall constitute compliance with SECNAVINST 5800.12. Additional reports are not required.

(b) Media interest.

(c) Other cases which are considered noteworthy by the activity.

d. On page 5, add a subparagraph (6) as follows:

(6) Suspected or verified product substitution fraud shall be reported in accordance with NAVSEAINST 5041.3.


P. M. HEKMAN, JR.

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