DEPARTMENT OF THE NAVY
NAVAL SEA SYSTEMS COMMAND
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IN REPLY REFER TO
NAVSEAINST 7500.1A
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22 Jun 01

NAVSEA INSTRUCTION 7500.1A

From: Commander, Naval Sea Systems Command

Subj: AUDITS OF NAVSEA BY EXTERNAL AUDIT ORGANIZATIONS (EAOS); POLICY, PROCESSES, IMPLEMENTATION AND AUDIT FOLLOW-UP

Ref: (a) SECNAVINST 5740.26B
(b) SECNAVINST 5740.25D
(c) SECNAVINST 5740.24B
(d) SECNAVINST 7510.7E
(e) SECNAVINST 5200.34D
(f) NAVSEAINST 9210.8A

Encl: (1) Audit Liaison Guide

1. Purpose. To implement references (a) through (f), and revise policy, guidance and procedures for: (1) dealing with external audit organizations (EAOs) conducting surveys, audits, research efforts, capacity evaluations and House Appropriations Committee, Surveys and Investigations Staff (HAC(S&IS)) investigations; (2) ensuring comments to draft, letter or final audit reports are timely, responsive and representative of the NAVSEA/Navy position; (3) ensuring audit follow-up actions are properly taken; and (4) granting or denying access to NAVSEA's resources, data, records and information. Details and definitions are provided in enclosure (1). This instruction is a major revision and should be read in its entirety.

2. Cancellation. NAVSEAINST 7500.1 of 6 November 1984, NAVSEAINST 5740.4 of 9 September 1986, NAVSEAINST 5740.4 Ch-1 of 30 March 1987 and NAVSEAINST 7000.9 Volume 7, Chapter 3, "Audit Liaison/Compliance".

3. Background

a. This instruction is a consolidation of NAVSEA policy for conducting business with external audit agencies and HAC (S&IS). This guidance applies to NAVSEAHQ offices and directorates, NAVSEA shore activities and the Program Executive Offices (PEOs).

b. There are three major organizations external to NAVSEA that conduct audits of NAVSEA programs and activities. These are the General Accounting Office (GAO), the Department of Defense Assistant Inspector General for Auditing (AIG(A)), and the Naval Audit Service (NAVAUDSVC). Each EAO performs the same basic function. However, each is responsible to a different organizational level within the government, and has its own unique means of operation.

Periodically, other government groups from the HAC(S&IS), Departments of Labor, Transportation and Energy may visit NAVSEA in conjunction with an audit or investigation.

c. It is important to derive full advantage from audits and HAC (S&IS) investigations in the interest of improving operations. External audit should be viewed as a tool to be pooled with NAVSEA's internal resources in achieving increased economy and efficiency. (Included under responsibilities.)

4. Policy. All personnel shall cooperate fully with each EAO to facilitate their various audit efforts (audits, surveys, reviews, audit researches, capacity evaluations, and HAC (S&IS) investigations) and to derive full advantage of their findings and recommendations in the interest of improving NAVSEA, Department of the Navy and DOD operations. Prompt and careful consideration must be given to their inquiries. If the scope of the audit may include information pertaining to Naval Nuclear Propulsion, advise the Nuclear Propulsion Directorate (SEA 08) and the local Naval Reactors Representative's Office. NAVSEA responses to audit findings and recommendations must be developed in a timely manner and provide clear, consistent and responsive positions. Management shall take prompt responsive and corrective action to implement all agreed upon audit recommendations. Suspected fraudulent activities reported by EAO's must receive immediate attention.

5. Responsibilities:

a. NAVSEA Office of the Inspector General (SEA 00N)

(1) Serve as the Command's principle point of contact (PPOC) for all external audit and HAC (S&IS) investigation matters.

(2) Facilitate action for all matters related to audit efforts; receive all inquiries, proposals, correspondence, and reports from the EAO; ensure that reports are given necessary distribution; and maintain current records on the status of action. Ensure that appropriate audit follow-up action is taken by the action officer and reported to the audit organization and validate completed actions.

(3) Provide assistance to central contact points designated by NAVSEA subordinate activities, Headquarters and PEOs by providing policy, guidance and advice for dealing with EAO representatives and for making information available to them.

(4) Coordinate EAO requests for information or release of documents with central contact points within NAVSEA Headquarters and shore activities. When requests made by the auditors involve questions of propriety, SEA 00N3 will ascertain the facts and make the decision with respect to release unless it is determined that the matter requires referral to higher authority.

(5) Receive the EAO representatives, assist them by arranging entrance and exit conferences, background information briefings and comply promptly with reasonable and proper requests.

(6) Receive notification (written or oral) of the audit effort requiring NAVSEA participation and take the following steps:

(a) Examine each proposal requiring NAVSEA participation and consult with designated central contact points in the Command.

(b) Coordinate conferences among EAO and Command personnel considered best qualified to convey accurate and comprehensive information.

(c) Promptly refer all applicable information, inquiries, or requests to the designated central contact points in the Command.

(d) Provide assistance to EAO representatives in processing one-time requests on matters for which no central contact point has been designated.

(e) Ensure that copies of pertinent correspondence and reports of action are forwarded up the chain of command when appropriate.

(7) Disseminate copies of draft or final reports to cognizant and interested offices for comment. In cases where the report is concerned with shore activities, ensure that comments are requested immediately from them. The Naval Inspector General (NAVINSGEN) may make direct distribution of GAO and AIG(A) reports to those activities likely to be concerned, in order to avoid delay in preparing proposed comments.

(8) Attend and provide for representation by other knowledgeable personnel at working meetings to discuss and determine the approach to be taken in presenting the Navy's position on audit reports.

(9) Prepare or facilitate as appropriate, the Department of the Navy reply to audit reports when NAVSEA is designated the lead DON coordinator. Ensure that responses addressing monetary benefits receive review by NAVSEA Comptroller (SEA 01) or Deputy Comptroller.

(10) Arrange for resolution meetings to discuss undecided issues addressed by NAVSEA offices or issues that EAOs forward to Chief of Naval Operations (CNO) for adjudication. For those undecided issues, the NAVSEA Inspector General (SEA 00N) will act as the decision facilitator for COMNAVSEA and NAVINSGEN will act for CNO, NAVAUDSVC and UNSECNAV, as appropriate.

(11) Ensure that required follow-up action is adequately documented through coordination with the cognizant command or office, to facilitate verification efforts by the EAO or SEA 00N on agreed-upon action taken and potential monetary benefits, if any, realized.

(12) Validate completed corrective actions, meeting the criteria of reference (e), taken by NAVSEA headquarters directorates and staff codes.

(13) Provide status reports on audit action and follow-up items to COMNAVSEA and other Command managers, as appropriate.

(14) Prepare the NC-2 budget exhibit of audit findings and recommendations identified during the calendar year pertaining to NAVSEA. Prepare briefs of applicable audit reports for use at the congressional budget hearings, as necessary.

(15) Coordinate annual audit planning with the external audit agencies to minimize duplication.

(16) Provide copies of approved recommendations of GAO, AIG(A), and NAVAUDSVC audits pertinent to the activity when a command performance inspection of a NAVSEA shore activity is announced.

(17) Prepare summary reports on material control weaknesses identified during an audit for the Management Control Program Certification Statement and CNO mid-year status reviews.

b. Commanders, Commanding Officers, Heads of Directorates, PEOs and Staff Codes shall:

(1) Designate a central point of contact (CPOC) and alternate for audit matters within their organization. Such designations shall be by written memorandum, with copy furnished to SEA 00N3. Any subsequent changes in designations shall be promptly reported to SEA 00N3. Suggested points of contact could be the Financial Manager of NAVSEAHQ offices or at NAVSEA field activities, the Command Evaluation Officer or the Business Officer.

(2) Refer all phone calls, emails, correspondence or other contacts made by an EAO to the PPOC office (SEA 00N3), when it is not clear if the EAO had coordinated such matters with this office.

(3) Cooperate fully with the audit and HAC(S&IS) representatives, in accordance with these guidelines, by providing accurate and comprehensive information within the purview of each assignment.

(4) Review carefully all pertinent information disclosed by surveys, audits, reviews, or HAC(S&IS) investigations from the standpoint of striving to improve the business management of NAVSEA and its shore activities.

(5) Ensure that agreed to action is implemented in accordance with assigned target completion date and appropriate follow-up action is taken to correct the audit recommendations.

(6) Approve nonconcurrences to audit recommendations and/or potential monetary benefits, prior to submission to SEA 00N3. (COMNAVSEA or the Vice Commander will sign all nonconcurrences, and SEA 00N will sign concurrences).

c. NAVSEA Designated Central Points of Contact (CPOC) shall:

(1) Ensure that each organization under their cognizance is aware that audit reports, replies thereto and resulting corrective action must receive high priority and that deadlines must be met.

(2) Prepare and coordinate the official comments on reports, as requested by SEA 00N3. If more than one directorate, Staff code or PEO is involved, SEA 00N3 may delegate responsibility to a lead code based on the contents of the report.

The lead code will solicit comments from any other codes or field activities in order to include all pertinent comments in the official NAVSEA reply. When the comments have been cleared at the directorate, PEO or Staff code level, the CPOC will provide the comments with chops to SEA 00N3. (SEA 00N3 will prepare the letter reply to the audit report based on these comments. SEA 00N3 will secure the approval of the pertinent codes involved with the report and forward the proposed response to SEA 00N/09/00 for approval, as appropriate.)

(3) Ensure that appropriate follow-up action is taken on the audit recommendations and cost savings, and submit documentary evidence of corrective action taken and monetary benefits achieved to SEA 00N3 upon completion of all required action.

(4) Keep informed as to the areas and directions of audits and of any significant developments.

(5) Inform the deputy commander, staff director and all interested codes, for whom he/she serves as liaison, regarding GAO, AIG(A), NAVAUDSVC and HAC(S&IS) matters.

(6) Keep SEA 00N3 advised of significant developments during the course of an audit, survey, review, capacity evaluation or HAC(S&IS) investigation, including matters discussed at entrance/exit conferences or changes in the scope of the audit.

(7) NAVSEA field activity CPOC's should provide central liaison services to their organization similar to those provided by SEA 00N3 outlined in paragraph 5.a. above. Responses to reports addressed to field activities must be signed by the Commanding Officer or Executive Officer and forwarded to SEA 00N3 for submission to the EAO.

G. P. NANOS, JR.

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AUDIT

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EXTERNAL AUDIT ORGANIZATIONS (EAO)

The General Accounting Office (GAO). The GAO is an agent of the Congress created by law to assist in providing legislative control over the financial transactions of the Government. This assistance is rendered, in part, by performing audits of the operations of departments and agencies of the Federal Government. The primary purpose of GAO audit is to make independent examinations for Congress of the manner in which Government agencies discharge their financial responsibilities. Financial responsibilities are construed to include the administration of funds and utilization of property and personnel for authorized programs, activities or purposes, and the conduct of programs or activities in an effective, efficient and economical manner.

The Assistant Inspector General for Auditing (AIG(A)). The AIG, is an agency of the Department of Defense. The AIG(A) plans and performs: (1) audits of the Office of the Secretary of Defense, the Organization of the Joint Chiefs of Staff, the Unified/Specified Commands and the Defense Agencies; (2) interservice audits of all DOD components; (3) quick response audits on matters of special interest to SECDEF; (4) audits of the Security Assistance Program at all levels of management; and (5) such other audits as requested.

The Naval Audit Service (NAVAUDSVC). The NAVAUDSVC is responsible for the audit of all organizations, activities, components and levels of management in the Department of the Navy. This effort represents an 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 this audit is to provide service to Navy Management at all levels through an objective evaluation to determine the adequacy and effectiveness of practices, procedures and controls. This is accomplished through reporting results of audits, making constructive recommendations and providing consultation while management plans action to be taken on findings and recommendations. In addition, the NAVAUDSVC provides management consulting services to Navy managers upon request. These services are for the express purpose of assisting in special studies or projects usually relating to the formulation, implementation or evaluation of plans, policies, procedures, techniques or systems. Distribution of these reports is controlled by the requesting command who is also free to accept, modify or reject in whole or in part, any conclusions drawn or recommendations made by the consulting team. Requests for consulting services may be made to Naval Audit Service Headquarters or via any of the Naval Audit Service regional offices.

The Survey and Investigations Staff (S&IS) of the House Appropriations Committee. The S&IS conducts surveys and investigations of the organization and operations of executive branch agencies as directed by the House Appropriations Committee (HAC). The S&IS is considered an extension of the HAC and represents the Committee during the course of an investigation. S&IS reports are not released outside the Congress. All inquiries, reviews, and investigations by the S&IS are initiated based upon a requirement from the HAC. S&IS personnel frequently operate in the capacity of budget analysts whose recommendations carry much weight in committee markups of the budget. GAO auditors frequently collect information for the S&IS during their scheduled audits. In addition, they sometimes augment the S&IS staff. Questions as to what capacity the GAO auditors are working in should be directed to SEA 00N3.

Types of Operations

The GAO, AIG(A), and NAVAUDSVC conduct audits, research, surveys, reviews, capacity evaluations, and investigations. The HAC(S&IS) usually conducts investigations. These types of operations are described below:

Audit. Audit is the more specific term identified with the appraisal of performance management and how financial responsibilities are being discharged, including such actions as analysis of receipts, expenditures and use of resources with related control processes.

Research. Exploration of audit topic proposals and potential audit subjects by gathering/updating information on programs, systems, or functions in the Department of the Navy inventory. Research culminates in nomination of topics for future audits.

Survey. An examination of an area to determine whether a detailed review (audit) is required.

Review. The broad term used to describe the collection of data and resulting papers. The term applies principally to major studies of management practices and operations.

Capacity/Program Evaluation. A cooperative effort, initiated at the request of management, between the Audit Organization and management to determine alternatives or solutions to known problems. These problems do not warrant an audit and recommendations are discretionary and non-binding.

Investigation. Examinations of specific situations or actions made as the result of requests or complaints from audit agencies and HAC S&IS.

Audit Sequence

Announcement/Notification of Visit. SEA 00N3 is usually notified in writing of most major audit efforts at the time they commence. This information is distributed to NAVSEA codes as appropriate. The external audit organization (EAO) will notify shore activities of planned audit efforts. The general announcement will describe the nature, scope, objectives, timeframe and locations to be visited, and supply the audit identification number. The EAO will normally advise shore activities at least 10 working days in advance of the specific date of the visit, and provide the names and security clearances of assigned auditors. Audits of disbursing operations are an exception. They will not usually be announced.

Preparing for the Audit. In addition to initially requesting audit representatives to identify themselves, NAVSEA personnel should request the audit identifying number and contact SEA 00N3 to verify that the Command has been officially notified of the specific audit in question.

Advise the NAVSEAIG (SEA 00N3) and the cognizant NAVSEA Deputy Commander of the start of audit work and designate a technical representative. This individual must have sufficient authority to provide effective assistance to EAO representatives and coordinate the various aspects of the audit. Notify all affected personnel of the impending audit. Managers should be encouraged to document discussion with the auditors by memoranda to file. Maintain a record of all data made available to the auditors until after validation is complete. Check the auditors' security clearances prior to audit commencement. The auditors are authorized to proceed on unclassified matters upon presentation of their credentials, and on classified matters after verification of proper clearance. Provide adequate working space for the auditors.

NAVSEAINST 9210.8A requires that all matters affecting Naval Nuclear Propulsion be coordinated with the Nuclear Propulsion Directorate (NAVSEA 08). If the scope of the audit could possibly include information pertaining to naval nuclear propulsion matters, advise SEA 08 and the local Naval Reactors Representative's Office (NRRO).

Entrance Conferences. At the start of the audit, an entrance conference is held with management personnel from the EAO and the organizations being audited. At this initial meeting, the auditors should discuss their plans for the conduct of the audit including topics to be covered and anticipated duration of the

field work. In addition, contact points within departments will be established and the Command/Activity audit liaison official will be reaffirmed as the focal point for all audit activity. Management should make arrangements with the auditors for periodic discussions during the course of the audit.

Findings and Recommendations. Findings and recommendations may be provided to management during the course of the audit. These should be reviewed and discussed with the auditors on an informal basis to ensure accurate portrayal of facts, circumstances and reasonable conclusions.

Exit Conferences. Exit conferences provide an opportunity to discuss and clarify unsettled issues prior to issuance of the formal audit report. Exit conferences will be routinely held with NAVAUDSVC auditors and occasionally with AIG(A) and GAO in order to resolve as many disagreements as possible at the local level.

The purpose of exit meetings is to ensure that audit findings are accurate and fairly presented. During the meeting, comments should be discussed on findings or recommendations, which previously had not been fully addressed. Management may reaffirm or modify any comments or suggest changes in the auditor's narrative presentations. The auditors will indicate those instances in which suggested changes or modifications are acceptable. They will also state their view on the adequacy and appropriateness of management actions taken or planned. Exit conferences are not intended to replace discussions between management and the auditors during the course of the audit. They are intended to clarify any unresolved issues.

Exit conferences will be held at the conclusion of the NAVAUDSVC auditors' on-site work--usually within ten (10) working days after receipt of the last audit finding.

Exit conference participants should include the Commander, Commanding Officer, his deputy, or senior manager of the audited directorate or his personal representative(s), the representative from SEA 00N3, and the external audit team.

To prepare for the exit conference, NAVSEA participants should draft comments and clear them through their directorate. Non-concurs must be cleared by the DEPCOM. Implementing actions, target completion dates (or initiation dates as applicable), as well as monetary benefits should be addressed for each finding and recommendation. SEA 00N3 should be provided a

copy of the comments at least one working day prior to the meeting. Representatives should also be prepared to discuss management positions taken on previous findings, as well as items they desire to modify.

Responses to Reports. Responses to audit findings will comment on the accuracy of the auditors' facts and background data, which support the findings. Methodology used by the auditors in arriving at conclusions may be questioned. The response will indicate concurrence or nonconcurrence with audit recommendations. Concurrence must indicate a plan for corrective action, a target date for completion, and an evaluation of stated potential dollar benefits. If corrective actions will take an extended period (12 months or more) to complete, a Plan of Action and Milestones (POA&M) must be provided. Rationale for nonconcurrence must be clearly provided at the time of audit response, and approved by senior management prior to submission to SEA 00N3. (COMNAVSEA or the Vice Commander will sign all nonconcurrences.) Where cost savings are predicted by the audit finding, the respondent shall confirm the reasonableness thereof, or provide a substantiating rationale for nonconcurrence. Responses must address each recommendation in the report of concern to NAVSEA unless individual treatment would be repetitious or impracticable. The Comptroller or Deputy will review responses with monetary benefits.

Unresolved Issues. A formal audit resolution process will adjudicate unresolved issues. This process elevates audit findings, recommendations and monetary benefits still in dispute at the conclusion of the exit conference through the chain of command until resolved. When an issue remains unresolved at the Echelon I level, CNO will be first level of resolution. If CNO is unable to resolve the undecided issues, the next step is the Naval Inspector General, and if needed, the final decision will be made by the Under Secretary of the Navy. It is imperative that managers gather sufficient and factual documentation to support their positions, as soon as the disputed issue is identified. For such documentation is an important factor in the resolution process and aids the chain of command in making decisions. This resolution process must be completed within six months of the date of the final report.

Audit Compliance/Follow-Up. Congress has mandated follow-up and reporting on the status of corrective actions taken by management in response to findings of audit organizations

(GAO, AIG(A), and NAVAUDSVC). The Financial Managers Integrity Act places responsibility for prompt action on and implementation of audit recommendations on individual managers. Managers will report status of action taken to SEA 00N3 or their activity CPOC within 30 days of the target completion date (TCD) associated with the recommendation. If action has been completed, documentation of its completion must be provided. If action is not complete, the reason for delay must be included in the request for an extension, along with a revised TCD. If that revised TCD will be longer than one year from the date of the final audit report, a POA&M must accompany the request for extension.

Validation of Corrective Actions. NAVSEA and Field Activity Command Review personnel are responsible for reviewing follow-up actions taken by the managers, including documentation of action taken, and validating the corrective action's effectiveness and monetary benefits achieved. Validation reviews of corrective actions will be included in Command Review Offices' annual review plans.

In NAVSEA Headquarters, yearly validation will be scheduled by SEA OON3 for significant audit recommendations that meet the Navy validation criteria. An audit recommendation is deemed significant when it fits at least one of the following categories: (1) involves monetary benefits of $250,000 for Echelon 1 or 2 commands, and $50,000 for Echelon 3 and below; (2) involves a major systemic problem; or (3) involves a safety/health problem. SEA OON will issue Memoranda notifying Directorates/PEOs of significant audit recommendations requiring validation. In order to facilitate on-site verification process, each Directorate/PEO will assign a technical expert to effect this process, and ensure that validation documentation is retained and readily available within the code until validation has been completed.

External Audit Organization's Access to Data

NAVSEA personnel must assure that information provided to auditors is factual, accurate, complete, and up-to-date and reflects the official Command position, not personal opinion. Auditors' requests for information must be handled in a timely manner.

General Accounting Office. The Budget and Accounting Act of 1921, Section 313 provides that authorized GAO representatives have the right of access and are allowed to examine the Federal agency records necessary to permit them to carry out their duties and responsibilities. Public Law 96-226 (GAO Act of 1980), provides the Comptroller General with authority to seek a court order to compel the release of Federal records and to subpoena non-Federal records. Only material relating to foreign intelligence or counterintelligence activities, data exempted under the Freedom of Information Act due to being in litigation, and investigatory records compiled for law enforcement purposes are exempted.

There are no provisions for denial of Department of the Navy (DON) controlled information to GAO except when approval is obtained from the Office of Management and Budget (OMB). The activity having custody of the information requested by the GAO, must make the initial determination as to whether to grant the request or to refer it to the Secretary of the Navy via NAVSEAHQ (SEA 00N3).

Whenever an authorized GAO representative requests information which the auditee considers not releasable under the guidance provided in this instruction, the auditors' request, and the proposed reply, including the reasons for not furnishing the information, shall be immediately forwarded to SEA 00N3. If the matter cannot be resolved by NAVSEAHQ it will be forwarded promptly to the Secretary of the Navy, via the Naval Inspector General, with copies to the General Counsel. This includes requests for information or access to information outside the stated scope of the audit. Under no circumstances will an individual, commander, or activity head inform a GAO representative that the request is denied, while the referral or staffing is in process. Instead, advise the GAO representative that the request was referred for appropriate action.

Naval Audit Service. NAVAUDSVC representatives are authorized access to any management information within the Department of

the Navy consistent with the purpose of the audit and the security clearance of the individual auditor. Determination as to whether information requested is within the scope of the audit will be made by the Auditor General of the Navy. Procedures and instructions, which have not been approved at the required command level and are not established policies or procedures will not be audited. However, when directed by the Auditor General, auditors are authorized access to this information in order to (1) understand the concept(s) of a new system or procedure, and (2) prepare audit programs to be used in auditing the new system or procedure when approved and installed. These policies apply even though a formal audit announcement has not been made. Whenever information requested by a naval auditor is considered to be so sensitive in nature that only a higher official than the individual should release it contacted, the auditor may be referred to the higher official. The Auditor General of the Navy makes the ultimate decision regarding release of sensitive material to NAVAUDSVC representatives.

Assistant Inspector General for Auditing. AIG(A) representatives are authorized the same access to information as GAO representatives. Ultimate determination as to whether information requested is within scope rests with the Department of Defense Inspector General.

General Guidance on Access to Data

The following guidance pertains only to Department of the Navy (DON) controlled information. Information in DON hands, originated by non-DON organizations or prepared at the specific request of the office of the Secretary of Defense (OSD) to become a part of an OSD controlled document, is not considered DON controlled information.

Oral Requests. Oral requests for existing information related to properly established audits will normally be honored. Audit personnel may be requested to specify in writing the particular information or papers they desire if it is clearly beneficial to both parties, i.e., will clarify the request and enable more timely response. The auditors are not under any obligation to comply with this request.

Draft Material and Internal Working Papers. The fact that information or records requested are considered "internal working papers" or that they do not reflect an official DON position is not in itself grounds for denying access or release. All draft or preliminary material provided to the auditors should be conspicuously marked "DRAFT" or "PRELIMINARY" with a written caveat to the effect that "This is a draft of a report, study, etc. It is subject to revisions and is not to be used in any report or released until finalized or authorized by the Department of the Navy."

Classified Material. OPNAVINST 5510.1G (The Navy Security Manual) provides instruction on release of classified information. Guidance provided by this instruction is to be used in conjunction with the manual.

The auditors' review requirements can usually be met by unclassified information. This possibility should be fully explored before requesting authority to release classified data. Whenever access to classified documents is authorized, care must be exercised to ensure that each auditor involved fully understands the vital necessity of safeguarding this sensitive information. If the requested classified material is not locally generated, the agreement of the Navy organization responsible for it should be obtained prior to granting access.

Copies of classified documents will not be handed directly to auditors. The documents' security classification and downgrading instructions must first be verified. Copies will then be

forwarded to the auditors under a written transmittal prepared by the office possessing the information. Confidential documents may be handcarried by an auditor with appropriate clearance and messenger credentials upon signing a receipt for them. Secret documents must be forwarded to the requesting organization by registered mail unless classified courier arrangements have been approved.

Unclassified documents provided to auditors which may be withheld from public release under the Freedom of Information Act (FOIA) must be marked "For Official Use Only" (FOUO). FOIA documents provided outside the Department of Defense should contain the following caveat: "This document contains information exempt from mandatory disclosure under the FOIA. Exemptions.... apply. (Insert the applicable exemptions). If these documents or information contained in them are to be circulated, released or quoted, it is requested that (activity name) be advised prior to any such action."

Substitution of Data. Auditors' requests for information are usually directed toward existing documents in their present format. Requests for the development of special information, extracts, summaries, or analyses of data requiring considerable resources to prepare should be negotiated. Substitutions may be made with the auditor's consent. Refer situations of this type that cannot be locally resolved to NAVSEA (SEA 00N3) for resolution.

Emails. Electronic mail messages are public records and are releasable to auditors.

Access to Specific Types of Information

Budgetary Data. Under OMB Circular No. A-10, fiscal year budgetary material will not be released outside the Department of Defense until the President transmits the budget for that fiscal year to the Congress. Withholding of specific material following a formal request for access from GAO should be carefully weighed and evaluated on a case-by-case basis, giving due consideration to the provisions of the GAO Act of 1980.

Defense Acquisition Executive Summary (DAES) Report. Program status data in the DAES report is releasable to the GAO to support specific surveys of major acquisition programs. Requests for GAO access to this data should be handled through program officials, who are in the best position to make determinations on potential negotiation or competition sensitivity on a case-by-case basis. If GAO requests information on subjective program assessments, acquisition officials authoring those assessments may, at their discretion, release those portions of the DAES report to the GAO. In cases where such release is not appropriate, acquisition officials should provide information on current program issues through other mechanisms, such as interviews with GAO.

Internal Audit Reports. Internal audit reports published by the Auditor General of the Navy will be made available to GAO and AIG(A) representatives by the Auditor General, at the office where such reports and working papers are maintained and filed.

Reports of Other Agencies. Reports of agencies outside the Department of the Navy (including the Federal Bureau of Investigation) shall not be released unless the consent of the agency has been obtained. The auditors should normally request these documents from the originating agency.

Inspector General Reports. Access to and copies of these reports must be provided by the Navy Inspector General. Likewise, requests for information as to the opinion, conclusions, recommendations, or confidential sources of information must be referred to the Inspector General.

Management-type Surveys, Evaluations, Studies and Reports. These should be released to the audit representatives by the authority that directed their preparation. A statement summarizing the Navy position with respect to the report's recommendations should be provided at the same time. If the Navy's position has not been established, say so, and provide

the established position to the audit agency as soon as possible. If the authority who directed the preparation of the report believes that its release would unduly interfere with management's decision making process, or would not otherwise be in the public interest, the auditor's request should be forwarded to SEA 00N3.

Business Sensitive Material. Business sensitive material may be proprietary information or data that could adversely affect the Government's negotiation position, or disclosure of which is likely to cause substantial competitive harm, if released. Auditors may be provided access to business sensitive data. Each representative, however, should be informed of the need to safeguard it as they would classified data. Business sensitive documents should be marked and provided to the auditors with the following caveat: "These documents contain material to which the public would be denied access under the Freedom of Information Act. Therefore, they should not be included in an audit available to the public without due consideration of their releasability under the Act. If for any reason the documents or information contained in them are to be circulated, released or quoted, it is requested that (activity name) be advised prior to any such action."

Privacy Act Data. The Privacy Act of 1974 poses no impediment to the auditor's access to personnel records, such as statements of Affiliation and Financial Interest (DD form 1555), if this data is necessary to the performance of the auditor's assigned duties and functions.

Unclassified Technical Information. Certain unclassified information is subject to control and protection under federal export control statutes and other laws. This includes unclassified naval nuclear propulsion information, unclassified controlled nuclear information and other technical data. Such information will be provided to auditors in the same manner as classified material.

Visual Information. The auditors occasionally ask to take photographs during the course of an audit. Navy authorized personnel should make the photographs and ensure that they are properly classified, controlled, and released to the auditors in accordance with the Department of the Navy Security Manual.

Management Control Program Documentation. Auditors may have access to Vulnerability Assessments (VAs) and Management Control Reviews (MCRs) when auditing compliance with SECNAVINST 5200.35 (Internal Control Programs). VAs and MCRs

and their supporting data will be reviewed to determine how well internal control programs are being conducted. They are not to be used as the basis for writing up audit findings of specific functional areas. However, if the auditors determine that VAs and MCRs were not properly prepared (in accordance with the NAVSEA guidance), they could conduct their own review of that area and identify any deficiencies.