BUMED INSTRUCTION 5200.13B CHANGE TRANSMITTAL 1

From: Chief, Bureau of Medicine and Surgery

Subj: MANAGERS’ INTERNAL CONTROL PROGRAM

Encl: (1) Revised page 6 of the basic instruction
     (2) Revised pages 1 through 3 of enclosure (1)
     (3) Revised pages 2, 3, and 5 of enclosure (3)

1. Purpose. To update internal control language to be consistent with the Office of Management and Budget Circular A-123 and revise the composition of members for the Navy Medicine Senior Management Council and Executive Oversight Group.

2. Action. Remove page 6 of the basic instruction and replace with enclosure (1) of this change transmittal. Remove pages 1 through 3 of enclosure (1) of the basic instruction and replace with pages 1 through 3 of enclosure (2) of this change transmittal. Remove pages 2, 3, and 5 of enclosure (3) of the basic instruction and replace with pages 2, 3, and 5 of enclosure (3) of this change transmittal.

3. Records Management

   a. Records created as a result of this change transmittal, regardless of format or media, must be maintained and dispositioned for the standard subject identification codes (SSIC) 1000 through 13000 series per the records disposition schedules located on the Department of the Navy/Assistant for Administration (DON/AA), Directives and Records Management Division (DRMD) portal page at https://portal.secnv.navy.mil/orgs/DUSNM/DONAA/DRM/Records-and-Information-Management/Approved%20Record%20Schedules/Forms/AllItems.aspx.

   b. For questions concerning the management of records related to this change transmittal or the records disposition schedules, please contact your local records manager or the DON/AA DRMD program office.

Releasability and distribution:
This change transmittal is cleared for public release and is available electronically only via the Navy Medicine Web site, http://www.med.navy.mil/directives/Pages/BUMEDInstructions.aspx
(2) Include management’s separate assertion (unmodified, modified, or no assurance) for each component of the MICP (i.e., ICONO, ICOFR, or ICOFS) assessed during the reporting timeframe.

(3) Document sources of internal control data used to determine the levels of assurance. Only those sources that were used should be listed. The sources may include but are not limited to: ICONO, ICOFR, ICOFS AU assessments; external audits (e.g., financial statement examination or audit notices of findings and recommendations, Naval Audit Service (NAVAUDSVC), GAO, Joint Commission, etc.); Department of Defense (DoD), DON, Medical IG (MEDIG) inspection reports; site assist visits; informal testing; program reviews (e.g., Procurement Performance and Management Assessment Program, logistics assist visits, etc.); and management observation.

(4) Include management’s assessment of the extent to which all applicable Navy Medicine standard operating procedures (SOP) are employed. The assessment should specifically address comptroller, logistics, and pharmacy AORs. Management will explain the basis for the assessment, including, but not limited to, audit preparation testing and site assist activities.

(5) Be signed by the head of the activity or principal deputy and the Comptroller, unless specified otherwise in the annual fiscal year MICP guidance.

(6) Identify all ineffective ICs, as appropriate, as well as corrective action plans (CAP) with targeted resolution dates to remediate the ineffective ICs. Ineffective ICs must be properly documented per the requirements outlined in the annual fiscal year MICP guidance. Supporting documentation for quarterly certification statements may include: ICONO, ICOFR, or ICOFS AU assessments and prescribed tools for identifying and tracking control deficiencies and CAPs. Supporting documentation for the annual SOA may include: accomplishment write-ups, deficiency write-ups, and CAPs, a compilation of IC assessment data from sources other than MICP, and SOP compliance. In addition to the annual fiscal year MICP guidance, reference (e) will help activities develop their SOAs. Enclosure (5) may be used as a guide for writing up IC accomplishments and deficiencies.

7. Responsibilities

   (a) Heads of activities must:

   (1) Establish and maintain a positive control environment across his or her AOR.

   (2) Require managers at all levels and across all functional areas to establish, evaluate, and improve ICs.
DEFINITIONS

1. **Assessable Unit (AU).** A programmatic or functional area capable of being evaluated by internal control assessment procedures. The AU should be small enough to provide reasonable assurance of adequate ICs and large enough to detect any material weaknesses that would have a potential impact on Navy Medicine’s mission. BUMED publishes annual fiscal year guidance identifying the AUs each required MICP reporting entity will review for the MICP year. Heads of activities and managers may use local risk assessments to develop elective AUs, as a supplement to mandatory AUs.

2. **AU Program Manager.** The individual responsible for the oversight and monitoring of internal controls related to a specific assessable unit.

3. **Complimentary User Entity Controls (CUEC).** Internal controls that a system user is responsible for implementing and overseeing to ensure transactions are properly authorized and executed prior to transmission to an external service organization. System owners may assign CUECs to the system user at the entity level.

4. **Control Deficiency.** A condition in which the absence, design, implementation, or operation of a control does not allow management or employees (in the normal course of performing their assigned functions) to prevent or detect fraud, waste, abuse, mismanagement, or misstatement in a timely manner. Control deficiencies may be categorized as follows:

   a. **Internal Controls over Non-Financial Operations (ICONO)**

      (1) **Material Weakness.** A significant deficiency, or combination of significant deficiencies, that adversely affects the ability to meet mission objectives and is deemed by the head of the activity to be significant enough to report to the next higher level. Material weaknesses must be reported to the next higher level in the activity’s annual SOA. Materiality is a management judgment. Criteria commonly identified with materiality are:

         (a) The issue is control-related.

         (b) The deficiency threatens mission, resources, or organizational image.

         (c) The deficiency exists across the organization.

      (2) **Significant Deficiency.** A control deficiency, or combination of control deficiencies, that adversely affects the ability to meet mission objectives, but is not deemed by the head of the activity serious enough to report as a material weakness. Significant deficiencies are normally within the organization’s ability to correct, are generally not reported outside the organization, and progress of corrective actions is tracked internally.
(3) **Control Deficiency.** Exists when the design, implementation, or operation of a control does not allow management or personnel, in the normal course of performing their assigned functions, to achieve control objectives and address related risks.

b. Internal Controls over Financial Reporting (ICOFR) and Internal Controls over Financial Systems (ICOFS):

(1) **Material Weakness.** A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements, or other significant financial reports, will not be prevented or detected. The determination of a weakness’s materiality is a management judgment.

(2) **Significant Deficiency.** A control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report external financial data reliably per Generally Accepted Accounting Principles. There is more than a remote likelihood that a misstatement of the financial statements, or other significant financial reports, is more than inconsequential and will not be prevented or detected.

(3) **Control Deficiency.** Exists when the design, implementation, or operation of a control does not allow management or personnel, in the normal course of performing their assigned functions, to achieve control objectives and address related risks.

5. **Corrective Action Plan (CAP).** A written document that describes the specific steps necessary to resolve a control deficiency, including targeted milestones, completion dates, and accountable parties responsible for implementing the milestones. Milestones should be:

a. **Specific.** Define the scope of the problem, avoid being broad and describe clear actions that will be taken to fix the deficiency.

b. **Measurable.** Identify and quantify completion criteria and results for each milestone.

c. **Achievable.** Corrective actions should be within the reporting organization’s capacity and its existing resources to implement. It must be noted in the CAP if the reporting organization depends on another organization to take action.

d. **Realistic.** Corrective actions should be within the reporting organization’s existing resources to complete. Corrective actions requiring new resources must be included in future budget requests.

e. **Time-bound.** Time milestones so they may be implemented properly and within realistic expectations.
6. **Federal Information System Controls Audit Manual (FISCAM)**. The FISCAM provides a methodology for performing effective and efficient information system controls audits, either alone or as part of a performance audit, a financial audit, or an attestation engagement, including communication of any identified control weaknesses. FISCAM is consistent with National Institute of Standards and Technology’s guidelines for complying with the Federal Information Security Modernization Act of 2014.

7. **Head of Activity**: Commander, commanding officer, or officer in charge of an activity.

8. **Internal Controls over Financial Reporting (ICOFR)**. Process to assess program, operational and administrative controls, report control deficiencies, and implement corrective actions across all functional areas within an organization. Only ICs with a potential material impact on financial reporting are reviewed within the ICOFR component of the MICP.

9. **Internal Controls over Non-Financial Operations (ICONO)**. Process to assess program, operational and administrative controls, report control deficiencies, and implement corrective actions across all functional areas within an organization. ICs within the ICONO component of the MICP are reviewed without regard for potential impact on financial reporting.

10. **Internal Controls over Financial Systems (ICOFS)**. Process to assess the control environment and analyze risks that impact a manager’s assurance over the ability of the IFMS in use to produce reliable and timely financial information. Assessments allow for the identification, reporting, and correction of control deficiencies.

11. **Levels of Assurance**

   a. **Unmodified**. Reasonable assurance that ICs are effective with no material weaknesses reported or that the IFMS are in conformance with federal requirements. Certification must be accompanied by a firm basis for this position.

   b. **Modified**. Reasonable assurance that ICs are effective with the exception of one or more material weaknesses or the IFMS is not fully compliant with federal requirements. Certification must cite material weaknesses that precluded an unmodified statement.

   c. **No Assurance**. No reasonable assurance that ICs are effective because few or no assessments were conducted, the noted material weaknesses are pervasive across many key operations, or the IFMS is substantially noncompliant with federal requirements.

12. **Materiality**. The threshold above which a deficiency or error could prevent the organization from accomplishing mission objectives or reporting reliable financial data for management to use in the decision making process. Some factors to consider when determining the appropriate severity level of the deficiency or error are the following: impact on mission success or failure;
d. As outlined in OMB Circular A-123, the SMC and EOG must be responsible for: providing input for the level and priority of resources needed to correct IC deficiencies; overseeing the timely implementation of corrective actions related to material weaknesses; and determining when sufficient action has been taken to declare a significant deficiency or material weakness corrected. Both groups will recommend to the Chief, BUMED which IC deficiencies are material to disclose in the annual Federal Managers’ Financial Integrity Act SOA on ICs.

4. Structure. The EOG will be a component of the SMC, and all ERM and IC matters will be presented to this group first for discussion and decision. According to the guidelines outlined in the responsibilities sections below, the EOG will provide discussion and decision content to the SMC. The SMC’s responsibilities will be executed through the chartered ESC and the EOG’s responsibilities will be executed through the chartered Assistant Deputy Chiefs Council.

5. Membership

The SMC will be comprised of:

<table>
<thead>
<tr>
<th>Team Member</th>
<th>Membership Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deputy Chief, BUMED</td>
<td>Chairperson</td>
</tr>
<tr>
<td>Executive Director</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Deputy Chief of Total Force</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Deputy Chief of Readiness &amp; Health</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Deputy Chief of Business Operations</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Deputy Chief of Resource Management/Comptroller</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Commander, Navy Medicine East</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Commander, Navy Medicine West</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Commander, Navy Medicine Education, Training, and Logistics Command (NAVMED ED TRNG LOG CMD)</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Force Master Chief</td>
<td>Principal Member</td>
</tr>
<tr>
<td>MEDIG</td>
<td>Advisor</td>
</tr>
</tbody>
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The EOG will be comprised of:

<table>
<thead>
<tr>
<th>Team Member</th>
<th>Membership Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military Assistant to the Executive Director, BUMED</td>
<td>Chairperson</td>
</tr>
<tr>
<td>Assistant Deputy Chief of Manpower &amp; Personnel (BUMED-M1)</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Assistant Deputy Chief of Research &amp; Development (BUMED-M2)</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Assistant Deputy Chief of Healthcare Operations (BUMED-M3)</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Assistant Deputy Chief of Fleet Support and Logistics (BUMED-M4)</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Assistant Deputy Chief of Patient Safety, Clinical Quality and High Reliability (BUMED-M5)</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Assistant Deputy Chief of Information Management and Technology (BUMED-M6)</td>
<td>Principal Member</td>
</tr>
</tbody>
</table>
The EOG will be comprised of (Continued):

<table>
<thead>
<tr>
<th>Team Member</th>
<th>Membership Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistant Deputy Chief of Education &amp; Training (BUMED-M7)</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Assistant Deputy Chief of Financial Management (BUMED-M8)</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Assistant Deputy Chief of Operations Medicine and Capabilities Development (BUMED-M9)</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Chief of Staff, Navy Medicine East</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Chief of Staff, Navy Medicine West</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Deputy Commander, NAVMED ED TRNG LOG CMD</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Command Master Chief, BUMED HQ</td>
<td>Principal Member</td>
</tr>
<tr>
<td>Deputy, MEDIG</td>
<td>Advisor</td>
</tr>
<tr>
<td>Ad hoc members: Navy Medicine echelon 3 comptrollers, program managers, and subject matter experts</td>
<td>Contributor</td>
</tr>
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6. Meetings

   a. Frequency. The EOG will meet at least quarterly and more frequently as necessary. The SMC will meet at least quarterly, following the EOG meeting, and more frequently as necessary.

   b. Decision Making for SMC. The Chairperson for the SMC will make the final decision on all “advice and consent” items discussed in the “SMC Responsibilities” and “Shared Responsibilities” in paragraphs 8 and 9 of this enclosure. The Chairperson will also make the final decision on other discussion items as deemed necessary. In making the final decision, the Chairperson will consider input and advisement from the Principal and Advisor Members on the SMC. As the final decision maker, the Executive Director will be accountable for the decision. Final decisions will be distributed to SMC participants via meeting minutes.

   c. Decision Making for EOG. The EOG will vote on all “advice and consent” items discussed in the “EOG Responsibilities” and “Shared Responsibilities” paragraphs 7 and 9 of this enclosure. Other discussion items may require a vote as deemed necessary. Each Principal Member, except the Chairperson, must have an equal vote. The Chairperson must only vote in matters of a tie. Items not unanimously agreed to must be decided by a majority vote. Only Principal Members present at the EOG meeting can vote, unless they provide their vote 2 business days prior to the meeting. Principal members can select a government proxy to vote in their absence. Voting results will be distributed to EOG participants via meeting minutes.

   d. Administrative Support. The Financial Improvement and Audit Readiness Division (BUMED-M81) will provide administrative support to both the SMC and EOG. Responsibilities will include but are not limited to: setting meeting agendas; taking and distributing meeting minutes; and providing guidance for ERM, internal control deficiency evaluation, and corrective action plan design.

7. EOG Responsibilities. To achieve the objective and purpose outlined above, the EOG must:
(c) What is the risk level associated with the issue?

(d) Who will fix the issue?

(e) What resources (e.g., funding, manpower) are needed to fix the issue?

(f) When will the issue be fixed?

(3) Based on the deficiency evaluation, deficiencies will go to the SMC for action based on the following criteria:

(a) There is uncertainty over the answers to the questions in subparagraph 7b(2) (i.e., unable to assign responsibility for correction, unable to determine when the issue will be fixed or deadlines are repeatedly missed, unable to identify or implement an effective corrective action).

(b) Issues identified as high risk.

(c) External dependencies for issue correction.

(d) External or higher level policy or law requires revision in order for Navy Medicine to comply and the issue to be resolved.

(e) Lack of resources for correction.

For IC deficiencies remaining at the EOG level, take the following actions as necessary:

(1) Prioritize corrective actions.

(2) Approve proposed corrective action plans.

(3) Ensure adequate resources (e.g., funding, manpower) are available to implement approved corrective action plans.

(4) Assign responsibility for corrective action.

(5) Oversee the timely implementation of corrective actions.

(6) Determine when sufficient action has been taken to declare an IC deficiency corrected.

(7) Determine the deficiency severity (e.g., control deficiency, significant deficiency, or material weakness) and whether or not the deficiency should be reported in Navy Medicine’s MICP Annual SOA.