

Inspector General

United States
Department of Defense



Internal Controls Over the Department of the Navy Cash and Other Monetary Assets Held in the Continental United States

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Acronyms and Abbreviations

COMA	Cash and Other Monetary Assets
CONUS	Continental United States
DD	Defense Department
DO	Disbursing Officer
DoD FMR	DoD Financial Management Regulation
DoD OIG	DoD Office of Inspector General
DoN	Department of the Navy
DSSN	Disbursing Station Symbol Number
LDA	Limited Depository Account
MCB	Marine Corps Base
OIC	Officer in Charge
SOA	Statement of Accountability
SF	Standard Form
U.S.C.	United States Code



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

December 9, 2008

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
NAVY INSPECTOR GENERAL

SUBJECT: Internal Controls Over the Department of the Navy Cash and Other Monetary Assets
Held in the Continental United States (Report No. D-2009-029)

We are providing this report for your information and use. We considered the comment from the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller), Financial Management Office when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The comment from the Assistant Secretary of the Navy (Financial Management and Comptroller), Financial Management Office was responsive. Therefore, no additional comments are required.

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Edward A. Blair at (216) 706-0074, extension 226 or Mr. Eric T. Thacker at (216) 706-0074, extension 234. The team members are listed inside the back cover.

Patricia A. Marsh

Patricia A. Marsh, CPA
Assistant Inspector General
Defense Business Operations



Results in Brief: Audit of Internal Controls Over the Department of the Navy Cash and Other Monetary Assets Held in the Continental United States

What We Did

We evaluated internal controls over the Department of the Navy (DoN) Cash and Other Monetary Assets (COMA) held in the continental United States (CONUS) to determine whether they were effectively designed and operating to properly safeguard, record, account for, and report COMA.

What We Found

DoN did not consistently apply internal controls over CONUS COMA. Specific issues included the following areas.

- Physical security over COMA was not as effective as it should have been.
- Appointment letters did not include required language regarding disbursing officials' pecuniary liability and specific duties they are authorized to perform.
- DoN did not consistently reconcile reported balances. Marine Corps Base (MCB) Camp Lejeune and MCB Camp Pendleton disbursing offices did not use the required Standard Form 1149 to reconcile their limited depository accounts (LDAs), and MCB Camp Lejeune disbursing office did not balance Defense Department Form 2665 to Defense Department Form 2657 at the end of each business day.
- The MCB Camp Lejeune disbursing office did not maintain proper segregation of duties.

As a result, internal and physical controls were not effective to ensure that COMA was properly recorded, reported, accounted for, and safeguarded.

What We Recommend

Several issues identified were resolved as soon as they were brought to the clients' attention. Our only recommendation was to improve physical security procedures at MCB Camp Pendleton. Specifically, we recommend that the Provost Marshal's Office ensure that it provides effective protection for the COMA entrusted to the disbursing office by promptly responding to all alarms.

Client Comments and Our Response

The Director, Office of Assistant Secretary of the Navy (Financial Management and Comptroller), Financial Management Office, concurred with our recommendation. We considered the concurrence to be responsive to our recommendation.

Recommendation Table

Client	Recommendation Requires Comments	No Additional Comments Required
Commander, Marine Corps Base Camp Pendleton		✓

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Introduction

Objective

This is one of a series of reports addressing internal controls over Department of the Navy (DoN) Cash and Other Monetary Assets (COMA). Our overall audit objective was to determine whether internal controls for DoN COMA held in the continental United States (CONUS) were effectively designed and operating to safeguard, record, account for, and report COMA. See Appendix A for a discussion of the scope and methodology.

Background

In 2007, the DoD Office of Inspector General (DoD OIG) performed the audit, “Internal Controls Over Navy General Fund Cash and Other Monetary Assets Held Outside of the Continental United States.” This audit led the DoD OIG to conclude that a similar audit of Navy’s CONUS COMA would be advantageous. This report discusses the adequacy of internal controls over COMA held at CONUS disbursing offices.

DoD 7000.14-R, “DoD Financial Management Regulation,” (DoD FMR) provides guidance for controlling, recording, and reporting COMA. DoD FMR, volume 6B, chapter 4, defines “cash” as coins, paper currency, and readily negotiable instruments (such as money orders, checks, and bank drafts on hand or in transit for deposit), and amounts on demand deposit with banks or other financial institutions, including foreign currencies. “Other monetary assets” include gold, special drawing rights, and U.S. Reserves in the International Monetary Fund.

Each DoD disbursing office has a unique disbursing station symbol number (DSSN). Disbursing officers (DOs) supervise all personnel holding cash and are accountable for maintaining appropriate accounting and internal controls over the assets. This responsibility includes ensuring the legality, propriety, and correctness of all disbursements and collections of public funds. The functions of regularly receiving and maintaining custody of public funds are generally performed by DOs and their appointed agents, such as deputy DOs, disbursing agents, and cashiers.

DOs are accountable to the U.S. Treasury for the COMA in their possession. The Statement of Accountability (SOA), Standard Form (SF) 1219, is the DO’s official monthly record of COMA accountability. The DO’s daily accountability is maintained on the daily SOA, Defense Department (DD) Form 2657. Disbursement and collection transactions are reported on both the monthly and daily SOAs. COMA in the possession of DOs should be reconciled daily, using the daily SOA as the permanent written record. Documents representing cash for which the DO remains accountable, such as receipts for advances to agents, should be kept in the DO’s safe or vault and accounted for daily on the forms described above.

The DoD FMR states that the Daily Agent Accountability Summary, DD Form 2665, is the daily accountability document for agents. Preparation of the DD Form 2665 includes

a physical count of all cash and negotiable instruments in the possession of agents. Agents should use the Statement of Agent Officer's Account, DD Form 1081, as a summary of cash transactions and receipts for cash or to close agent accounts. Collection and disbursement vouchers and any remaining cash must be turned in to the DO, along with the DD Form 1081, which is prepared to account for cash and vouchers returned to the DO. The DO or deputy DO should balance all agents' COMA using the Daily Agent Accountability Summary.

On September 30, 2007, DoN reported approximately \$143 million in COMA. Of this amount, approximately \$66 million was located at CONUS disbursing offices. We performed our review at four locations: Marine Corps Base (MCB) Camp Lejeune, MCB Camp Pendleton, Navy Pay and Personnel Support Center, and Navy Special Warfare Development. These disbursing offices reported the majority of the FY 2007 CONUS COMA (73 percent of \$66 million).

Finding. Internal Controls Over Cash and Other Monetary Assets

The DoN did not consistently apply internal controls over CONUS COMA. Specifically, management needs to improve internal controls in the following areas:

- physical security over COMA,
- proper appointment of disbursing officials,
- reconciliation of reported balances, and
- segregation of duties.

DoN disbursing officials did not effectively implement established policy and guidance, and inconsistently applied internal controls. As a result, internal and physical controls were not effective to ensure that COMA was properly recorded, reported, accounted for, and safeguarded.

Criteria for Internal Controls Over COMA

Disbursing officials receive their appointments under 31 United States Code (U.S.C.) 3321 and are held accountable for their payments under 31 U.S.C. 3325. Under 10 U.S.C. 2773a, the Secretary of Defense may designate any civilian employee of the Department of Defense or member of the Armed Forces under the Secretary's jurisdiction as an employee or member who, in addition to any other potential accountability, may be held accountable through personal monetary liability for an illegal, improper, or incorrect payment. Any such designation must be in writing.

Volume 5 of the DoD FMR provides for the use, procedures, and security for COMA throughout the DoD. Chapter 1, "Purpose, Organization, and Duties," discusses disbursing operations and specifically directs that duties such as authorizing, approving, and recording transactions be assigned to separate responsible individuals. Chapter 2, "Disbursing Offices, Officers, and Agents," provides detailed procedures for appointment of DOs and deputy DOs, as well as guidance for the establishment of a disbursing office, the appointment of disbursing officials, and general disbursing operation guidance. Chapter 3, "Keeping and Safeguarding Public Funds," establishes operating criteria for daily disbursing cash operations, including: cash review requirements; safeguarding funds and related documents; and advancing funds to disbursing agents. Chapter 14, "Limited Depository Checking Accounts," discusses opening and reconciling an LDA. Chapter 19, "Disbursing Officer Accountability Reports," discusses the proper balancing and preparation of the statement of accountability.

Physical Security Over Cash and Other Monetary Assets

The commanders and security offices at three DoN CONUS disbursing offices failed to meet some DoD FMR requirements for security of COMA. DoD FMR volume 5, chapter 3, section 030302, lists several responsibilities required of the commander and DO to ensure the safety of accountable assets. However, the commanders and security offices at these three locations did

not fulfill the responsibility of maintaining a strict security environment for their disbursing offices.

The three incidents of compromised COMA physical security included the following.

- Military police officers from the MCB Camp Pendleton Provost Marshal's Office failed to respond to a surprise alarm test performed by the auditors at the disbursing office. Representatives from the Provost Marshal's Office Dispatch Center determined that the military police responded to another alarm at a different location during the surprise test. The auditors determined that, at a minimum, the Provost Marshal's Office should have called the disbursing office to inquire about the alarm; however, this was not done.
- During a surprise alarm test performed at MCB Camp Lejeune's disbursing office, the Provost Marshal's Office dispatched military police to the billing address on file instead of to the actual disbursing office address. This occurred because the Provost Marshal's Office erroneously listed the billing address as the location of the disbursing office. Therefore, the military police went to the billing address instead of responding to the alarm at the disbursing office.
- The security office at the Navy Special Warfare Development Group failed to respond to a surprise alarm test at the disbursing office. This occurred because the security office experienced a power interruption that affected its alarm monitoring system.

In all three surprise security tests, security personnel failed to respond or responded to the wrong address. Although the disbursing officials had implemented steps to secure COMA, the response from security forces was not effective. As a result, there was potential for security to be breached, risking a loss of funds for which disbursing officials at MCB Camp Lejeune, MCB Camp Pendleton, and Navy Special Warfare Development Group would be pecuniary liable.

Preparation of Appointment Letters

Appointment letters for disbursing personnel did not contain certain information required by the DoD FMR. A deficient appointment letter could allow an individual to avoid pecuniary liability under 10 U.S.C. 2773a. Two of the locations examined during this audit, MCB Disbursing Office Camp Lejeune and MCB Disbursing Office Camp Pendleton, had appointment letters that did not comply with DoD FMR requirements.

Specifically, the DO appointment letters at both locations did not identify the specific duties that the DOs were authorized to perform and did not confirm that the DO had been provided written operating procedures. Additionally, the appointment letter for the MCB Camp Lejeune DO did not include a statement acknowledging individual pecuniary liability or confirming the counseling of appointees with regard to pecuniary liability. The appointment letters for the MCB Camp Pendleton deputy DOs did not affirm that the deputies had been given written operating procedures. According to 10 U.S.C. 2773a, the designation of officials must be in writing. Therefore, supervisors of individuals who have appointment letters that do not meet the

requirements of DoD FMR volume 5, chapter 2 should have those appointment letters revised and reissued or relieve those individuals from performing disbursing duties.

DoD FMR volume 5, chapter 2, “Disbursing Offices, Officers, and Agents,” requires that the authorities who approve the establishment of DO, deputy DO, and cashier positions issue the required appointment letters to these individuals. The DoD FMR further requires that appointment letters include the statement, “I acknowledge that I am strictly liable to the United States for all public funds under my control,” in addition to a statement confirming the counseling of appointees with regard to pecuniary liability and that they have been given written operating procedures. Appointees must acknowledge acceptance of the appointment by signing the original and all copies of the letter of appointment. According to 10 U.S.C. 2773a, a designated accountable official may be held accountable through personal monetary liability for an illegal, improper, or incorrect payment.

Reconciliation of Reported Balances

The disbursing offices at MCB Camp Lejeune and MCB Camp Pendleton did not perform the necessary reconciliations to ensure that reported fund balances were accurate. Specifically, these disbursing offices did not reconcile the limited depository account (LDA) using the Statement of Designated Depository Account on a Standard Form (SF) 1149. In addition, the disbursing office of MCB Camp Lejeune did not properly balance all documents representing COMA to the DD Form 2657. As a result, the DD Form 2657 was out of balance by \$50,000 as recently as March 24, 2008.

Disbursing officials at MCB Camp Lejeune and MCB Camp Pendleton did not perform reconciliations of their LDAs using the Statement of Designated Depository Account (SF 1149). The DoD FMR, volume 5, chapter 14 states that within 30 days of the close of each calendar month, a Statement of Depository Account (SF 1149) is to be prepared and submitted for each open LDA. Although alternative procedures were performed to reconcile the LDAs, these procedures did not include preparing the SF 1149. Because the deputy DO did not follow the DoD FMR guidance, the LDA at Camp Lejeune included an unsupported amount of \$62.40. While this dollar amount was not material, the potential exists that improper or fraudulent transactions could go undetected if the LDA is not reconciled in accordance with the DoD FMR.

According to the DoD FMR, volume 5, chapter 19, the DO is required to balance the DD Form 2665 to the DD Form 2657, both representing COMA, at the end of each business day. However, disbursing officials at MCB Camp Lejeune did not properly balance all DD Form 2665s to the DD Form 2657. The lack of reconciliation caused a \$50,000 out-of-balance amount on the DD Form 2657 to go undetected by the disbursing office. The purpose of this reconciliation at the end of the business day is to ensure the accuracy of reported amounts. Without this reconciliation, disbursing officials cannot reasonably attest that the accountability balance reported is accurate.

Segregation of Duties

The disbursing office at MCB Camp Lejeune did not implement segregation of duties, as required by the DoD FMR. Specifically, the fiscal section did not assign responsibility for

authorizing, approving, and recording transactions to different individuals. As a result, the same person prepared and approved transactions without supervisory review.

The disbursing office at MCB Camp Lejeune disburses funds to support Marine Corps missions. The fiscal section of the disbursing office employed several deputy DOs and agents to handle these duties. At the end of each business day, the fiscal Officer in Charge (OIC) is responsible for performing certain closing procedures, including reviewing and approving transactions. The DoD FMR volume 5, chapter 19, specifically states that the close-of-business procedures must be accomplished using the DD Form 2657. The fiscal OIC was the only person in the fiscal section who had access to the DD Form 2657 in the accounting system. Thus, he was the only person authorized to close the business day in the accounting system. However, for the entire month of March 2008 and part of April 2008, the fiscal OIC logged into the accounting system on his computer using his password and asked his deputy DO to complete the required closing procedures in the accounting system. Furthermore, the fiscal OIC was not necessarily present while the deputy DO was working on his computer approving transactions that only the fiscal OIC was authorized to approve.

As a result of being assigned both an approving official and a preparer's responsibilities, the deputy DO inappropriately prepared and approved her own transactions. The fiscal section's procedures contradicted the principle of segregation of duties. The lack of segregation of duties increased disbursing office vulnerability to fraud, misstatement of COMA, and possible losses of funds.

Client Actions

After they were made aware of the issues, each command took actions to strengthen internal controls in its disbursing operations. The following actions were taken to correct the issues identified during the audit.

MCB Camp Lejeune

- On April 18, 2008, the DO's appointment letter was revised to reflect the duties that he was authorized to perform, his acknowledgement of pecuniary liability, and that he had been provided written operating procedures.
- On April 24, 2008, the DO informed us that his office had implemented a segregation-of-duties policy by assigning approving responsibilities and transaction-preparation duties to separate individuals.
- On June 16, 2008, the DO informed us that the Provost Marshal's Office and the commercial alarm contractor at Camp Lejeune had updated their systems with the correct disbursing office address.
- On June 16, 2008, the DO informed us that procedures had been updated to ensure that the LDA would be reconciled using the forms required.

- On June 16, 2008, the DO informed us that the \$50,000 out-of-balance amount had been corrected. Disbursing officials also informed us that they had updated procedures for tracking and accounting for all documents representing COMA on the DD Form 2657.

MCB Camp Pendleton

- On June 25, 2008, the deputy DO updated the DO appointment letter template to reflect duties that the DO was authorized to perform and to affirm that the DO had been provided written operating procedures. Additionally, the DO included a statement in the deputy DO appointment letter template affirming that deputy DOs had been provided written operating procedures.
- On June 25, 2008, the deputy DO informed us that although the disbursing office no longer had an LDA, procedures had been changed to reconcile any future LDAs using the SF 1149.

Navy Special Warfare Development Group

On April 22, 2008, the security office at Navy Special Warfare Development fixed the electrical problem that had caused power interruption to the alarms. The auditors retested the alarm after power was restored. The security forces responded to the second alarm test.

Navy Pay and Personnel Support Center

Navy Pay and Personnel Support Center's internal controls over COMA were adequate to ensure that COMA was properly recorded, reported, accounted for, and safeguarded. Client actions were not required.

Recommendation, Client Comments, and Our Response

We recommend that the Commander, Marine Corps Base Camp Pendleton, improve physical security procedures at the Provost Marshal's Office to provide effective protection for the Cash and Other Monetary Assets entrusted to the disbursing office by responding to all alarms promptly.

Client Comments. The Director, Office of Assistant Secretary of the Navy (Financial Management and Comptroller), Financial Management Office, concurred with the United States Marine Corps response that the Electronic Security System, including individual sensors, will be tested quarterly to ensure that systems are functional. The estimated completion date is October 6, 2009.

Audit Response. Comments from the Director, Office of Assistant Secretary of the Navy (Financial Management and Comptroller), Financial Management Office, are responsive to the recommendation and no additional comments are required.

Appendix A. Scope and Methodology

We conducted this performance audit from February 2008 through September 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We obtained evidence by performing the following tasks.

- We reviewed DoD, U.S. Treasury, and Department of the Navy (DoN) guidance related to the internal controls over Cash and Other Monetary Assets (COMA) held within the continental United States (CONUS).
- We conducted key word searches of DoN and other agencies' Web sites to obtain information regarding prior and ongoing audits or investigations relating to our audit, including:
 - Assistant Secretary of the Navy, Financial Management and Comptroller,
 - Defense Criminal Investigative Service,
 - Naval Criminal Investigative Service,
 - Naval Audit Service, and
 - Defense Finance and Accounting Service.
- We acquired necessary documentation and records from Defense Finance and Accounting Service, Marine Corps Base (MCB) Camp Lejeune, MCB Camp Pendleton, Navy Pay and Personnel Support Center, and Navy Special Warfare Development, including service-level points of contact. The points of contact completed internal control questionnaires and provided us with accountability reports.
- We obtained a universe of 49 total disbursing station symbol numbers (DSSN) throughout DoN as of September 30, 2007. Of the universe, 10 DSSNs represented CONUS disbursing offices with disbursing officer (DO) accountability.
- The 10 CONUS disbursing offices represent approximately \$66 million in COMA on the DoN FY 2007 financial statements. We judgmentally selected 4 of the 10 CONUS disbursing offices based on the materiality of the cash held by the offices. The four CONUS disbursing offices held a total of approximately \$48 million, or 73 percent, of the \$66 million reported in COMA. Table 1 shows the four disbursing offices and their reported DO accountability balance for the end of FY 2007.

Table 1. DoN Disbursing Offices Tested

DSSN	Site	Location	Amount
6092	MCB Camp Lejeune	North Carolina	\$36,261,974.14
6187	MCB Camp Pendleton	California	\$ 1,390,162.61
8371	Navy Pay and Personnel Support Center	Virginia	\$ 8,808,276.15
8552	Navy Special Warfare Development	Virginia	\$ 1,287,901.13
	TOTAL		\$47,748,314.03

- We evaluated internal controls over COMA, as required by the DoD FMR, at each DSSN. To determine whether controls were effective and adequate, we assessed management's operating procedures and implementation of the DoD FMR concerning:
 - Disbursing officers, deputy disbursing officers, and agents,
 - cash verifications,
 - COMA security,
 - payments and collections,
 - statements of accountability,
 - foreign currencies,
 - limited depository accounts, and
 - cashiers and cash counts.

Review of Internal Controls

We determined that material internal control weaknesses in COMA existed as defined by DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006. A control deficiency exists when the design 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, or mismanagement on a timely basis. The finding section discusses the details of the internal controls weaknesses identified during the audit. Implementing the recommendation will improve the internal controls structure at MCB Camp Pendleton disbursing office. A copy of the final report will be provided to the senior official responsible for internal controls in the Office of the Assistant Secretary of the Navy, Financial Management and Comptroller.

Use of Computer-Processed Data

To perform this audit, we used computer-processed data extracted directly from the Defense Cash Accountability System, which is used by DoD for cash accountability and reporting of General Funds, Defense Working Capital Funds, and Security Assistance Funds. We relied on Defense Cash Accountability System output that included the DoN Disbursing Officers'

Standard Form 1219 (Monthly Statement of Accountability) and Department of Defense Form 2657 (Daily Statement of Accountability)

We compared data from the Defense Cash Accountability System to DoN disbursing source documents in order to determine whether balances reported in the Defense Cash Accountability System were reliable. Specifically, we compared DD Form 2657s and SF 1219s extracted from the system to SF 1081s, payment vouchers, actual disbursements, and cash receipts. We determined that there were no significant differences between the system data and the supporting documents that would preclude use of the Defense Cash Accountability System-processed data to meet the audit objective or that would change the conclusions in this report.

Prior Coverage

During the last 5 years, the Department of Defense Inspector General (DoD IG) and the Naval Audit Service have issued seven reports discussing Cash and Other Monetary Assets. Unrestricted DoD IG reports can be accessed at www.dodig.mil/audit/reports. Unrestricted Naval Audit Service reports can be accessed at www.hq.navy.mil/NavalAudit.

DoD IG

DoD IG Report No. D-2008-123, “Internal Controls Over Navy General Fund Cash and Other Monetary Assets Held Outside of the Continental United States,” August 26, 2008

DoD IG Report No. D-2008-121, “Internal Controls for Air Force General Fund Cash and Other Monetary Assets,” August 18, 2008

DoD IG Report No. D-2007-028, “Controls Over Army Cash and Other Monetary Assets,” November 24, 2006

DoD IG Report No. D-2006-011, “Report on the Foreign Military Sales Trust Fund Cash Management,” November 7, 2005

Naval Audit Service

Naval Audit Service Report No. N2007-0050, “Navy Disbursing Officers’ Accountability,” August 29, 2007

Naval Audit Service Report No. N2007-0046, “Internal Controls Over Disbursing Office Operations in Bahrain,” July 23, 2007

Naval Audit Service Report No. N2006-0047, “Cash Accountability of Department of the Navy Disbursing Officers for Hurricane Katrina Relief Fund,” September 22, 2006

Assistant Secretary of the Navy (Financial Management and Comptroller) Comments



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

OCT 14 2008

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Audit of Internal Controls Over the Department of the Navy Cash and Other Monetary Assets Held in the Continental United States (Project No. D2008-D000FN-0127.000)

The attached is the coordinated Department of the Navy response to Department of Defense (DoD) Inspector General (DOD IG) letter of September 12, 2008 of the same subject. The response addresses the only recommendation that Commander, MCB Camp Pendleton improve physical security procedures.

My points of contact for this issue are Mr. Dean Hunstad, dean.hunstad@navy.mil, (202) 685-6734 and Mr. William Yost, william.yost@navy.mil, (202) 685-6757.

A handwritten signature in black ink, appearing to read "Mark E. Easton".

MARK E. EASTON
Deputy Assistant Secretary of the Navy
(Financial Management Operations)

Attachment:
As stated

cc:
CMC



DEPARTMENT OF THE NAVY
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IN REPLY REFER TO:
8FN-0127
RFR-80
6 Oct 08

MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY,
FINANCIAL MANAGEMENT AND COMPTROLLER, OFFICE OF
FINANCIAL OPERATIONS

Subj: Department of Defense Inspector General Draft Report
D-2008-D000FN-0127.000, "Internal Controls over the
Department of the Navy Cash and Other Monetary Assets
Held in the Continental United States," dated
September 12, 2008

Ref: (a) DODIG memorandum of September 12, 2008

Encl: (1) Marine Corps comments

1. In accordance with reference (a), the Marine Corps has reviewed the subject draft report and provides comments at the enclosure.
2. Point of contact regarding this matter is Mr. Charles Keith Dove, email charles.dove@usmc.mil or phone (703) 614-4500, DSN 224-2595.

/s/
C. K. DOVE
By direction of the
Commandant of the Marine Corps

Department of Defense Inspector General Draft Report
D-2008-D000FN-0127.000, "Internal Controls over the
Department of the Navy Cash and Other Monetary Assets
Held in the Continental United States," dated
September 12, 2008

1. The Marine Corps has reviewed the draft report and the following comments are provided:

Recommendation 1. DODIG recommends that the Commander, Marine Corps Base Camp Pendleton improve physical security procedures at the Provost Marshal's Office to provide effective protection for the Cash and Other Monetary Assets entrusted to the disbursing office by responding to all alarms promptly.

Marine Corps Response: Concur. Per Marine Corps Order (MCO) P5530.14, "Marine Corps Physical Security Program Manual," the Electronic Security System (ESS) will be tested at least quarterly to ensure systems are functional. In the conduct of these tests, all individual sensors will be tested to determine the continued adequacy of their application. Test results will be retained at the physical security office for a period of one year. Estimated completion date of corrective action is 6 October 2009.

Encl (1)

Team Members

The Department of Defense Office of the Deputy Inspector General for Auditing, Defense Business Operations prepared this report. Department of Defense Office of Inspector General personnel who contributed to the report are listed below.

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