



**UNITED STATES MARINE CORPS**  
MARINE CORPS RECRUIT DEPOT/WESTERN RECRUITING REGION  
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SAN DIEGO, CALIFORNIA 92140-5001

DepO 7500.2G  
7C  
25 NOV 1998

DEPOT ORDER 7500.2G

From: Commanding General  
To: Distribution List

Subj: AUDITS, SURVEYS, INSPECTIONS, AND REVIEWS BY EXTERNAL AGENCIES

Ref: (a) MCO 7510.3E  
(b) SECNAVINST 7510.7E  
(c) MCO P1700.27  
(d) MCO 7510.2E  
(e) SECNAVINST 5740.25C  
(f) SECNAVINST 5740.26A  
(g) MCO 5740.4A  
(h) MCO 7540.2D  
(i) DepO 7510.2B

Encl: (1) Policies Concerning External Audits, Reviews, Inspections, and Surveys  
(2) Release of Special Category Information

1. Purpose. To amplify guidance provided in references (a) through (i) concerning relationships with external agencies.
2. Cancellation. DepO 7500.2F.
3. Summary of Revision. This order has been revised to amplify guidance concerning relationships with external agencies. This order should be read in its entirety
4. Background
  - a. Based on the type of organization performing an audit, review, survey, or inspection, functions under review are accomplished in several ways.

(1) External audits, reviews, inspections, and surveys are conducted by the General Accounting Office (GOA), the Department of Defense Inspector General (DODIG), Naval Audit Service, the Marine Corps Exchange Audit Service, the Marine Corps Nonappropriated Fund Audit Service (MCNAFAS), and other federal agencies.

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(2) Internal reviews are conducted by Resource Evaluation and Analysis (REA) personnel in accordance with reference (i).

b. An audit, review, or inspection provides an independent and objective appraisal of a functional area and identifies any improprieties or inefficiencies. Recommendations are made to correct conditions which hinder operations, command integrity, or economic use of resources.

c. The scope of an audit, review, or inspection may range from narrow specific functions to broad operational areas, depending on the objective. A brief survey, complex detailed study, or complete financial management study may be selected to obtain the information required. Audits, reviews, or inspections are conducted for appropriated and nonappropriated fund activities, and also may include private party organizations.

d. REA will assist MCRD activities in matters involving external auditors. REA also provides liaison during audits, reviews, or inspections and coordinates the Command response to the draft report of findings and recommendations.

## 5. Policy

a. Recognize and support audits, reviews, and inspections as an important element of management control. Maintain a responsive attitude and cooperate with auditors so field work may be conducted efficiently and with minimum disruption to normal operations.

b. After completion of an audit, review, or inspection, management must determine what action will be taken based on the facts supporting the findings and an evaluation of the merits of each recommendation. Corrective action will begin promptly if the activity concurs with the findings and recommendations. A nonconcurrency reply will be supported by complete and detailed justification.

## 6. Responsibilities

a. CO's and heads of activities will ensure that deficiencies noted in external reports are promptly resolved and corrective action taken as necessary.

b. The Director, REA will serve as the central point of contact for all subject visits, distribute reports or findings to cognizant staff officers/subordinate commanders for comments and action, and ensure adequacy and timeliness of responses to reports.

c. In accordance with reference (a), REA personnel will conduct required follow-ups to ensure accepted recommendations are acted on in a timely manner.

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7. Action. Distribution addresses will take appropriate action to carry out the procedures outlined in enclosures (1) and (2).



H. W. PETERSON III  
Chief of Staff

DISTRIBUTION: A

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POLICIES CONCERNING EXTERNAL AUDITS, REVIEWS, INSPECTIONS, AND SURVEYS

1. Notification of Audit, Review, Inspection, or Survey

a. The CG will be notified, in writing, by any external organization contemplating an audit, review, inspection, or survey at MCRD.

b. If external agencies make initial contact with any MCRD activity, the Director, REA should be contacted immediately. The audit or review should not begin, nor information be released, until guidance is provided by the Director, REA.

2. Entrance and Exit Interviews

a. Normally, each external audit or review team will have an entrance brief with the CG. This interview is held to brief the CG of the purpose and scope of the audit and the approximate duration of the visit. An exit brief will be scheduled with the CG if results of the visit disclose conditions which hinder operations, command integrity, or economic use of resources. Cognizant senior level managers should also attend the closing conference.

b. The Director, REA will coordinate command liaison with external agency representatives and coordinate entrance and exit briefs with cognizant staff personnel.

3. Release of Information to Auditors. The type of information which may be released to auditors varies according to the organization performing the audit and the security clearance of the auditor. Information will not be refused to an auditor but questionable data may be withheld pending referral to the Director, REA.

a. Naval Audit Service; Marine Corps Exchange Audit Service; MCNAFAS; and other Navy/Marine Corps Auditors. Representatives from these organizations are authorized access to any information relative to the audit objectives if they hold the required security clearances. For additional information concerning the agencies discussed in this paragraph, refer to SECNAVINST 7510.7, MCO P1700.27, and MCO 7510.2.

b. DODIG and the GAO. SECNAVINST 5740.25 and SECNAVINST 5740.26 provide guidance pertinent to relations with the DODIG and the GAO. Representatives from these offices have statutory authority for access to information and records necessary to carry out their statutory responsibilities. However, SECNAVINST 5740.26 provides detailed guidance for releasing special category information which is duplicated in enclosure (2).

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c. In accordance with MCO 5740.4, representatives of the Surveys and Investigations Staff (S&SI), House Appropriations Committee should normally be provided with copies of records and reports relating to the investigation subject to the following:

(1) Classified information will be furnished only when such information is necessary to the performance of the investigation. The physical exchange of classified and sensitive documents will be made only with the permission of the central point of contact (CPC), the responsible official of the investigation appointed by the Comptroller of the Navy.

(2) Information of a budgetary or financial nature must be cleared with CMC (Code FDR) prior to submission to the S&SI.

(3) Inspector General reports must be cleared with the IGMC prior to submission to the S&SI.

(4) Audit reports performed by the GAO, DODIG, and the Naval Audit Service must be cleared with CMC (Code FDR) prior to submission to the S&SI.

(5) Situations may arise when there is a question as to whether the information requested may be furnished. In these cases, the (Code FDR) should be furnished the necessary information so that an appropriate determination may be obtained.

#### 4. Report Requirements

##### a. GAO and DODIG Visits

(1) CMC (FDR) must be notified immediately of any adverse major findings. If any activity or department becomes aware (either formally or informally) of adverse major findings, a written report must be provided to the Director, REA immediately. The written notification should identify the audit including GAO/DODIG assignment number, give a brief resume of audit findings and conclusions, summarize actions initiated or completed to correct noted deficiencies, and include any other information considered to be of value.

(2) A message report will be forwarded to CMC (FDR) upon conclusion of a visit by representatives of the GAO or DODIG. Activities visited by these agencies will prepare and forward a draft report to the Director, REA who is responsible for consolidating the input and preparing the official release.

(a) Provide a succinct summary of findings and recommendations, statements of local command concurrence or reasons for nonconcurrence, a summary of action taken or proposed, and other comments as appropriate.

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(b) If the visit was incident to a survey or review and no findings or recommendations were presented by the representatives, provide highlights of the discussions, including identification of areas of special interest and significant opinions expressed.

(c) A citation of all correspondence, directives, or other written material provided.

(3) A copy of any letter report or "Statement of Fact" (also titled "GAO Interim Memorandum") issued by a GAO Regional Office and the requiring response will be forwarded to CMC (FDR). If any activity or department is addressed in the letter report, that activity will prepare and forward the draft response to Director, REA so that the official report can be prepared. Guidance is contained in SECNAVINST 5740.26.

b. Naval Audit Service Visit

(1) The Naval Audit Service representatives provide draft audit findings during the on site phase of an audit. In accordance with MCO 7510.3 written drafting of individual audit findings provided by the auditors will be reviewed promptly and closely scrutinized to determine their validity. If the findings, including any alleged monetary benefits, are correct and the recommendations can be implemented by the command, corrective action will be taken. It should be noted that validated savings must be reflected in budget submissions. The alleged savings or a cost avoidance amount must be confirmed or refuted, as appropriate. Inaccuracies or unsound conclusions should be refuted on the basis of fact or logic. Argumentative language and tone, and opinions not supported by fact or logic will be avoided in replying to the auditors.

(2) Upon receipt of draft audit findings and recommendations, departments will prepare a draft management response and forward to REA. The command response will then be consolidated and prepared for official release. This action is to be completed within 30 days after receipt from Naval Audit Service for incorporation into the final published report. It is mandatory that management responses to findings and recommendations:

(a) State concurrence or nonconcurrence with each recommendation. Nonconcurrence is to be fully justified.

(b) Indicate actions taken or planned, including target completion dates for recommendations. The IGMC will examine the follow-up actions taken by commands on selected audit recommendations. Therefore, it is imperative that dates be realistic and that every effort be made to implement the recommendations by those target dates.

(c) Be based on a thorough analysis. Comment on the validity of cost savings or cost avoidance cited or claimed by Naval Audit Service. The following definitions apply:

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1 Concur - if monetary savings are confirmed. Any concurrence to savings WILL result in budget reductions in that amount.

2 Concur in principle - indicates that the audited activity agrees with the merit of cost savings or cost avoidance in finding; however, further evaluation is required. Explanation of mitigating circumstances must be included, such as (1) ongoing study or analysis of monetary benefits, (2) awaiting authority to implement change recommended, or (3) modification to value of cost savings or avoidance based on your own study.

3 Do not concur - used to denote nonconcurrence with potential cost savings or avoidance addressed in finding. Include a complete rationale for rejecting stated amount of savings.

(d) If additional resources are required to comply with the recommendations, specifically identify each one.

(3) CMC (FDR) must be notified immediately in any of the following situations:

(a) The command nonconcur with a finding and recommendation:

(b) If a request for follow-up information is received from any source external to the Marine Corps (i.e., GAO, DODIG, Naval Audit Service, Congress, etc.);

(c) If, after the issuance of a final audit report, the command decides to change its previously recorded position on a recommendation, full justification or rationale for the change must be provided. This information will be subsequently passed to the Naval Audit Service;

(d) Modification of previously agreed to actions;

(e) If the estimated completion date needs to be revised outward.

(4) Audited activities are required to provide REA tangible evidence of completed action on all recommendations. Tangible evidence can be in the form of completed work requests, revised directives, or a statement of completed action if not feasible to provide other evidence.

c. Marine Corps Nonappropriated Fund Audit Service Visit

(1) MCO 7510.2 provides guidelines concerning the Marine Corps Nonappropriated Fund Audit Service. The Marine Corps Nonappropriated Fund Audit Service was established to provide the Commandant of the Marine Corps, Commanding General/Officers, cognizant staff agencies, and nonappropriated fund instrumentality managers with independent, objective and

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constructive appraisals of the management, accounting, operations, and related functions of their nonappropriated fund activities. Several report formats are used by the Marine Corps Nonappropriated Fund Audit Service.

(a) Independent Audit Report (IAR). The purpose of this report is to provide the Commander with a formal written report of the audit results. It contains the objectives of the audit, scope of the audit, methodology used to accomplish the objectives and audit conclusions for each stated objectives. The report also provides the commander with recommendations for the action needed to correct any material deficiencies identified. The regional office provides copies of these Reports to the Director, MCNAFAS for follow-up and further distribution to program managers. The commander will receive the draft report as soon after the completion of field work but no later than 30 working days. The final report will be published within 60 working days or 90 calendar from the completion of field work.

(b) Management Assistance Report (MAR). It is the primary method for reporting on management assistance visits. A management assistance visit is providing independent and professional services to the Commandant, commanders, external agencies, and NAFI managers. Management assistance includes advisory services, consulting services, and assisting investigative agencies with audit expertise. MCNAFAS will report to the commander or requester of the assistance in written format, but oral reports may be made depending on the work objectives and the desires of the requester.

(c) Special Audit Reports. Special audit reports quickly notify the commander of suspected improprieties in the NAFI audited, when quick notification and action of the commander is necessary and normal reporting procedures cannot provide the timely reporting required, and the audit discloses problem areas outside the NAFI or the normal purview of the auditor.

(d) Audit Letter. The audit letter notifies the commander and the Director, MCNAFAS that a complete audit is not required as originally scheduled. The regional director may determine this after preliminary appraisal of an audit activity discloses that 1) as a result of an effective command management control program, internal controls are found satisfactory, and deficiencies noted are minor in nature and corrective action has been initiated, 2) after examination of command reviews of the NAFI to be audited, MCNAFAS determined that further audit emphasis is not necessary, or 3) the audit survey indicates that the materiality or potential benefit of the planned audit is no longer valid.

(2) Upon receipt of draft audit findings and recommendations, departments will prepare a draft management response and forward to REA. The command response will then be consolidated and prepared for official release. This action will be completed within the time frame established by the Marine Corps Nonappropriated Fund Audit Service auditors.

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d. Marine Corps Exchange Audit Service and Other Visits. Various external activities will periodically perform miscellaneous audits, inspections and reviews. These agencies may include, but are not limited to, the Marine Corps Exchange Audit Service, the Field Supply and Maintenance Analysis Office (FSMAO), Marine Corps Disbursing Administrative Analysis Team (MCAAT), and various inspection teams from the Commandant of the Marine Corps. Auditees are required to notify the Director, REA when an external visit is expected. REA is responsible for the following:

(1) Serve as the point of contact to receive reports, distribute reports of findings to cognizant staff officers/subordinate commanders for comments and action, and ensure adequacy and timeliness of responses to the reports;

(2) Attend closing briefings;

(3) Conduct selective follow-up reviews in accordance with MCO 7510.3

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