



DEPARTMENT OF THE NAVY
UNITED STATES NAVAL ACADEMY
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ANNAPOLIS MARYLAND 21402-1300

USNAINST 7500.1
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USNA INSTRUCTION 7500.1

From: Superintendent, U.S. Naval Academy

Subj: RELATIONS WITH EXTERNAL AUDIT ORGANIZATIONS

Ref: (a) SECNAVINST 5740.26B, Relations with the Legislative Branch Audit Agency
(b) SECNAVINST 5740.25D, Relations with DOD Office of Assistance IG for Auditing
(c) SECNAVINST 7510.7G, DON Internal Audit
(d) SECNAVINST 5740.30, GAO and DODIG Audit Follow-up Requirement for DON
(e) OPNAVINST 5200.24C, Audit Follow-up Program
(f) SECNAVINST 5200.34E, Management of Audit Decision and Follow-up
(g) DODI 7600.06, Audit of NAFI and Related Activities

Encl: (1) Responsibilities
(2) Procedures: Audit Activity/Response/Related Events

1. Purpose. To implement references (a) through (g), establish U.S. Naval Academy (USNA) policy and procedures, and assign responsibility for audit liaison and response matters for all audits of activities at the Naval Academy.

2. Scope and Applicability. The provisions of this policy apply to all personnel assigned to USNA and the Naval Academy Preparatory School (NAPS). Academic assessment and accreditation activities are exempt.

a. Five principal audit agencies (AAs) conduct reviews of activities at USNA and NAPS. They are the United States General Accountability Office (GAO), Department of Defense Office of Inspector General (DoDIG); Naval Inspector General (NAVINSGEN), Naval Audit Service (NAVAUDSVC) and Commander, Navy Installations Command Fiscal Oversight Team. Each of these agencies performs similar functions, but are responsible to different levels of government. Firms contracted to conduct audits of Nonappropriated Fund financial statements per reference (g) are also covered by this instruction. The term audit encompasses surveys, reviews, and studies of all aspects of organizational operations, not just accounting and finance.

b. Reference (a) provides guidance to DON personnel for working with GAO when GAO is conducting audits or reviews of DON activities. Reference (b) provides guidance to DON personnel for working with DoDIG when DoDIG is conducting audits or reviews of DON activities. Reference (c) provides guidance to DON personnel for working with NAVAUDSVC when NAVAUDSVC is conducting audits or reviews of DON activities. References (a) through (c) emphasize the requirement for timely and responsive replies to draft and/or final reports and

issue guidance for preparation and coordination of management responses. References (d) through (f) outline follow-up procedures and related reporting requirements for audit reports.

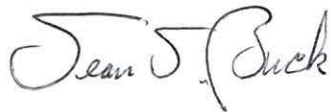
3. Policy. USNA's Office of the Inspector General (IG) will serve as the audit liaison for all audits occurring at the Naval Academy and/or NAPS. All personnel will notify and cooperate with the IG and external audit agencies in conducting audits and will meet report response due dates as identified in enclosures (1) through (4). Timely replies are critical on issues which affect the management and funding of programs, functions, and activities. Audit results are useful to achieve increased operational efficiency. Management will take prompt and responsive actions on agreed upon recommendations. Enclosures (1) and (2) provide detail on program administration.

4. Records Management

a. Records created as a result of this instruction, 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.secnav.navy.mil/orgs/DUSNM/DONAA/DRM/Records-and-Information-Management/Approved%20Record%20Schedules/Form/AllItems.aspx>.

b. For questions concerning the management of records related to this instruction or the records disposition schedules, please contact the U.S. Naval Academy Records Manager or the DON/AA DRMD program office.

5. Review and Effective Date. The IG will review this instruction annually on the anniversary of its effective date to ensure applicability, currency, and consistency with Federal, DoD, SECNAV, and Navy policy and statutory authority using OPNAV 5215/40 Review of Instruction.



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RESPONSIBILITIES

1. The Superintendent, United States Naval Academy delegates authority for audit liaison and report response matters to the Inspector General (IG) who will act as the central control point on all audits or other internal reviews. The IG will coordinate with the Audit Agencies and other DON and DoD offices as required.
2. Cost Center and Department Heads will ensure the IG is notified of any upcoming audits or other internal reviews in advance of the review. As stated above, the IG will act as the central control point in preparation for and during the audit, and work with cost center representatives to coordinate responses for all findings, deficiencies and recommendations made in audit reports.
3. The IG's responsibilities as the Audit Liaison include the following:
 - a. Publish policy and written procedures for administrative relations with Audit Agencies.
 - b. Ensure an action officer is assigned to each audit and corresponding actions.
 - c. Maintain an official file on each survey, audit, review or report of interest. Maintain a copy of notification of visits and clearances (as applicable) on auditors that visit the Naval Academy.
 - d. Direct audit announcements to the Superintendent and/or NAPS Commander and other action offices (AOs) with an interest.
 - e. Stay informed on issues of audits in progress and keep the chain of command informed of significant developments.
 - f. Aid auditors by ensuring adequate workspace. Provide general information/support such as mission statements, telephone directories, and minor information technology support.
 - g. Direct reports and inquiries requiring action to proper AOs for response. Assign and monitor deadlines for responses to ensure timeliness. Assist in resolving or elevating any issues or disagreements that may arise during a visit or with audit responses and corrective actions.
 - h. Review, evaluate, and combine comments received into consolidated responses for leadership review and timely submission.
 - i. Maintain a follow up system to monitor and verify timely corrective action is taken on deficiencies cited in audit reports.

j. Inform senior leadership of the timeliness and effectiveness of responding to reports and follow up on implementation of agreed upon recommendations.

4. Action Office (AO) responsibilities include the following:

a. If contacted directly by an audit agency prior to official command notification of an upcoming audit, refer the auditor to the IG.

b. Contact the IG to obtain an announcement letter to ensure the audit was properly announced. Do not provide information to auditors on the phone unless you have verified the audit was properly announced through the IG and the auditor is listed as an audit team member. Prior contact with an external auditing office does not warrant bypassing the IG.

c. At time of audit, request auditor present credentials before information is provided. Ensure information provided is complete and related to the audit. Do not represent opinion as fact.

d. Arrange for access to records, documents, and other data that are properly authorized for release to audit personnel.

e. Notify the IG before all formal opening, closing or interim status communication with auditors.

f. Notify the IG when a request for comment on a report is received from sources other than IG.

g. Notify the IG when a report, routed for action/information, contains misstatements or omissions of fact, unsupported conclusions, or does not reflect DON position.

h. If issues/discussions considered significant occur with the audit team, bring the discussions/issues to the attention of the cost center/department heads and the IG.

i. When issues or disagreements with audit team members arise that cannot be resolved at the activity level, contact the IG for assistance.

j. Take action to implement agreed upon corrective actions. Monitor and report the status of agreed-upon corrective actions to the IG. Provide IG with support for implemented corrective actions.

k. Respond to IG taskings on audit reports and inquiries.

PROCEDURES

1. **Announcement/Notification of Visit.** The audit agency will inform the Naval Academy Superintendent via the IG in advance of planned audit visits. The announcement should provide the scope, time frame, objectives, visit locations, and the identifying audit number. The visit request will include the names of audit team members, if possible, desired contact points, and the planned visit dates.
2. The IG has the authority and knowledge to provide effective help to audit agency representatives. The IG will coordinate the various aspects of the audit and notify all affected AOs of the audit. The IG will meet with the audit team and arrange attendees for entrance and exit briefs, and coordinate schedules with AOs.
3. The entrance brief is normally at the start of the audit between the audit agency and applicable AO personnel. During the brief, the auditors should discuss their plans for conducting the audit, including topics covered and expected duration of work. The AOs will set up contact points and ensure the IG is the focal point for the audit activity. Depending on the significance of the audit, the entrance brief participants may include the audit agency team, commanding officer or deputy, the AO managers, and the IG.
4. During the audit fieldwork, AOs will provide data and answer questions as required by the audit team. Once the fieldwork is completed AO managers should ask auditors to discuss potential findings and recommendations to assure the facts, circumstances, and conclusions are accurate.
5. The exit brief is conducted at the conclusion of the audit fieldwork. In some cases, a draft of the audit report is provided for review for accuracy prior to the exit brief. AO managers and command leadership will discuss and clarify any issues with the audit team before issuance of the formal draft. The exit brief provides an opportunity to ensure findings are accurate and presented fairly. The exit brief participants generally include the audit team, the Superintendent and/or the Chief of Staff, AO managers and the IG. Any suspected fraudulent activities reported by the audit agency audit agency must receive immediate attention. Any findings and/or recommendations still in dispute after the exit conference are referred to the IG.
6. The audit report contains findings, conclusions, deficiencies and recommendations. If appropriate, potential monetary benefits may also be identified in the report. The IG receives and coordinates action on the draft and final reports, distributes the report to the correct office for review and response. Before preparing a response, AOs will coordinate with the IG to discuss alternative responses, if appropriate, and ensure specific format requirements are met.

7. The IG will ensure AOs are provide the correct response format. The AO will coordinate responses with AO managers and/or Cost Center and Department heads as appropriate. The AO will forward the response through the chain of command to the audit liaison for final processing. Agreed actions for recommendations made in the report will be entered into the audit tracker. It is important to meet response times (usually every 30 dates until recommendation is corrected).
8. The IG will maintain the audit follow up system and monitor actions taken on agreed to recommendations and monetary benefits made in the audit agency report. AOs must document and maintain records of actions taken on final reports. Monetary savings must be documented and validated. This information will be verified during follow-up on-site visits from the audit agency.
9. The IG will coordinate with the Naval Audit Service (NAVAUDSVC) for all GAO and DoD IG audits as they serve as the audit liaison for the DON.