



Commandant
United States Coast Guard

2100 2nd Street, S.W.
Washington, DC 20593-0001
Staff Symbol: CG-851
Phone: (202) 267-1157
Fax: (202) 267-4011
Email: DBraxton@comdt.uscg.mil

COMDTINST 4200.30C
SEP 27 2005

COMMANDANT INSTRUCTION 4200.30C

Subj: PROCUREMENT MANAGEMENT INTERNAL CONTROL PROGRAMS

1. PURPOSE. This Instruction outlines the Coast Guard’s internal control programs for the procurement function.
2. ACTION. Area and district commanders, commanders of maintenance and logistics commands, Sector commanders, assistant commandants for directorates, commanding officers of headquarters units, Judge Advocate General, and offices at Headquarters shall ensure compliance with the provisions of this Instruction. Internet release is authorized.
3. DIRECTIVES AFFECTED. Procurement Management Review Program, COMDTINST 4200.30B, is cancelled.
4. DISCUSSION. Internal control programs provide agency management with reasonable assurance that the following internal control objectives are met: obligations and costs are in compliance with applicable laws; procedures are in place to prevent and detect fraud, waste, and abuse; revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained; and programs are efficiently and effectively carried out according to applicable laws and management policy. Internal control reviews of the procurement function are part of the Coast Guard’s effort to improve its procurement process, ensure sound business decisions and comply with all applicable statutes and regulations through the implementation of internal controls. In addition to helping individual Coast Guard procurement activities, the internal control programs contribute toward an improved procurement process that implements improved procurement oversight; provide policy guidance that is more centralized and formulated to accurately reflect the realities of procurement operations; and serve as a tool for resolution of procurement problems on a Coast Guard-wide level.

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5. PROCEDURES. Procurement Management internal control consists of the following analysis and evaluation programs and procedures:
- a. Definitions of terms and programs.
- (1) Chief of the Contracting Office (COCO). The individual who has been formally assigned the responsibility for day-to-day management and control of a procurement unit. This individual also has management and control responsibility for subunits within its area of responsibility. The list of all designated COCOs and the procurement unit to which each is assigned is posted on the Coast Guard portal, CG Central, under the Office of Procurement Management (CG-85) information. All COCOs must be appointed in writing by the Head of the Contracting Activity (HCA) Commandant (CG-8d). The HCA's written designation to each COCO identifies the procurement unit the COCO is responsible for managing and will identify any subunits that fall within the COCO's area of responsibility.
 - (2) Procurement unit. A contracting office managed by a formally designated COCO. Procurement units may have formal contracting authority, simplified acquisition authority, or both. Procurement units and the COCOs assigned to them are listed on the Coast Guard portal, CG Central, under the Office of Procurement Management (CG-85) information.
 - (3) Subunit. A contracting office that is within a COCO's area of responsibility, but may not be managed on a day-to-day basis by the COCO and/or may be physically detached from the COCO's primary procurement unit. For internal control purposes, subunits come within the area of responsibility of a COCO at a procurement unit.
 - (4) Area of Responsibility. The procurement unit and subunits over which the COCO has contracting authority and responsibility for procurement oversight and implementing internal controls.
 - (5) Internal Control Plan (ICP). A mandatory internal control process by which the COCO implements and the HCA monitors and reviews, a plan for review and assessment of the entire acquisition cycle to ensure the procurement unit's conformity with Federal statutes, regulations and good business practices. Internal control plans must be drafted at each procurement unit and signed by the COCO. Subunits are not required to draft their own internal control plans, but will instead be included in the internal control plan at the procurement unit to which they are assigned.
 - (6) Electronic assessment. A process whereby Commandant (CG-851) conducts random reviews of synopsis and solicitation information and other electronically available contract action information.
 - (7) Surveys. The application of subjective measurements, such as employee and customer surveys, that are used to collect information from employees and customers of procurement units to help assess the condition of the procurement function.
 - (8) Responsive Assessment. In-depth investigations of specific contract(s) conducted by Commandant (CG-851) in response to certain outside actions including, but not limited to, protests, congressional inquiries and ombudsman requests.

- (9) Management Assistance Consultation (MAC). An onsite consultation conducted by Commandant (CG-851) in response to a request from a procurement unit.
- (10) Contract Review Board (CRB). An internal control mechanism that consists of a review board that meets on an as needed basis to review certain acquisitions and actions at the discretion of the HCA.
- (11) Warrant File Review. An annual audit of the warrant records of issuing authorities to ensure that all warrant holders and acquisition certified professionals maintain eligibility and meet skills currency requirements.

b. Definitions of findings.

- (1) Acceptable finding. A requirement on the internal control contract checklist that is found to be substantially compliant with applicable acquisition laws and regulations during the contract file review.
- (2) Unacceptable finding. A requirement on the internal control contract checklist that is found to be noncompliant with applicable acquisition laws and regulations during the contract file review. Unacceptable findings are divided by the total number of unacceptable and acceptable findings to derive the overall percentage of unacceptable findings from the ICP contract file review.
- (3) Deficiency. Evidence that an internal control objective is not being met because the internal controls are not operating properly, are missing, or are poorly designed. Deficiencies are reported to the HCA.
- (4) Material Weakness. A reportable condition that the HCA determines to be significant enough to be included in the agency's annual Federal Managers' Financial Integrity Act certification. Conditions are considered significant when there is evidence that one or more internal control objectives are not being met. The following factors are to be considered to determine whether there is a material weakness: whether it impairs the fulfillment of the mission; deprives the public of needed contractual services; results in adverse publicity or embarrassment; diminishes credibility or reputation of agency; leads to waste or loss of funds, property or other resources; allows fraud or other criminal activity to go undetected; causes harm, even though minor in individual instances, that is extensive in the aggregate; or causes loss of control over resources for which an organization is responsible.

c. Statutory and Regulatory Guidance.

- (1) Executive Order 12931.
- (2) OMB Circular A-123, "Management's Responsibility for Internal Control," June 21, 1995, revised December 21, 2004.
- (3) The Federal Managers' Financial Integrity Act (FMFIA) of 1982.
- (4) Homeland Security Acquisition Manual (HSAM), Subchapter 3004.7005.

(5) Coast Guard Acquisition Procedures (CGAP), Subchapter 3004.7005.

d. Procurement Management Internal Control Procedures. The following is a summary of the procedures used for each internal control program:

(1) Internal Control Plan (ICP). Each formal and simplified procurement unit is required to implement an Internal Control Plan (ICP), which shall be continuously monitored and periodically assessed by the HCA. The ICP shall identify the number and types of procurement actions that will be reviewed by the COCO each fiscal year. The number and types of contracts to be reviewed as part of this program shall represent a sufficient sample of contract actions that may provide the COCO and HCA with reasonable assurance that the internal control objectives are being met. The ICP shall be drafted by the Chief of the Contracting Office (COCO) and submitted to the HCA for review and approval. Each ICP shall include at least one checklist, but may include one or more checklists, such as the formal and/or simplified checklists, purchase card, task order or MIPR checklists, or any other checklist that meets the needs of the unit. COCOs may use any of the Internal Control Checklists posted on the Office of Procurement Management's (CG-85) Internet website, however, each COCO may tailor any of the checklists to meet its needs. The checklist(s) used by the COCO should be based on a risk assessment that identifies the most significant areas in which to place internal controls. The checklist(s) serves as a supplement to, not a substitute for, routine COCO oversight.

(a) Internal Control Review and Certification by the COCO: The COCO for each formal and simplified procurement unit shall conduct and document an internal control review of its procurement unit every fiscal year, subject to subparagraphs (1) and (2) below. Internal control reviews shall be consistent with the terms of each procurement unit's ICP. The internal control review should also include a reasonable sampling of actions from subunits in the COCO's area of responsibility subject to the discretion of the COCO and approval of the internal control plan by the HCA. At the end of each fiscal year, each COCO must prepare and submit to the HCA the Internal Control Plan (ICP) Compliance Certification in Enclosure (1). The ICP Compliance Certification shall be signed and certified by the COCO and shall confirm that the internal control review has been completed for that fiscal year. The ICP Compliance Certification shall list and describe all unacceptable findings from the contract file reviews, provide the unacceptable rate, and describe any deficiencies or material weaknesses found during the internal control review. In addition, applicable supporting documentation, such as corrective action plans, must be included in the package. The complete package shall be forwarded from each COCO to the HCA annually by 30 November.

1. Large procurement units divided into multiple components (ACS, AR&SC, ELC, MLC/PAC(f) and MLC/LANT(f)). At large formal procurement units that are divided into multiple components (e.g., branches, divisions, or sections), the COCO is required to conduct a review of a portion (one or more) of its components in its procurement unit every fiscal year in accordance with the terms of its internal control plan. The internal control plan should also include a reasonable sampling of actions from subunits in the COCO's area of responsibility subject to the discretion of the COCO and approval of the internal control plan by the HCA. Therefore, at the end of

each fiscal year, each COCO at these large procurement units shall submit the required annual certification, even though for that year it may reflect only a portion of its components and subunits. The COCO has the flexibility and latitude to determine the number of its components and subunits that it will review each fiscal year, provided that all of its components and subunits within its area of responsibility are reviewed within a 3-year cycle. The percentage of actions to be reviewed and the frequency of reviews are within the COCO's discretion, subject to approval by the HCA of the COCO's internal control plan.

2. Procurement units that are not divided into components (all simplified acquisition procurement units, CEUs, FDCCs, MLC/PAC(v), MLC/LANT(v), and R&DC). At formal and simplified procurement units that are not divided into components, every fiscal year the COCO shall conduct a review of its own procurement unit in accordance with the terms of its internal control plan. The internal control plan should also include a reasonable sampling of actions from subunits in the COCO's area of responsibility subject to the discretion of the COCO and approval of the internal control plan by the HCA. The percentage of actions to be reviewed is within the COCO's discretion, subject to approval by the HCA of the COCO's internal control plan.
- (b) Internal Control Review by the HCA: The HCA shall verify each procurement unit's compliance with the terms of its ICP by monitoring the ICP certifications and by conducting onsite internal control reviews. Commandant (CG-85) shall routinely perform a number of onsite internal control reviews of formal and simplified units on a rotating basis each year in order to assess whether the units are in compliance with their ICPs and upon an assessment of risk based upon analysis of each unit's ICP certification statement. The goal of the onsite internal control review program is to perform an onsite review of each formal unit once within a three (3) year cycle and each simplified unit once within a five (5) year cycle, but the HCA retains the discretion to adjust the frequency of onsite reviews depending on its risk assessment of each unit. Units scheduled to be reviewed shall be provided notification from Commandant (CG-85) at least 30 days in advance of the forthcoming review. The internal control review is an onsite assessment (lasting approximately 1-3 days depending on the size of the unit) of the unit's compliance with its ICP and a verification of its internal control program. The review will consist of an assessment by CG-85 of a random sample of those contracts that have previously been reviewed by the COCO under the ICP and additional contracts that have not been previously reviewed under the ICP. The Commandant (CG-85) review team shall document any unacceptable findings, deficiencies or material weaknesses in a written report issued to the unit's Command and COCO within 30 calendar days of the conclusion of the onsite review. When required, the unit shall be provided 30 calendar days to submit a plan detailing the corrective actions and timeline for resolution for each unacceptable finding in the review report. Follow-up reviews may be conducted to verify compliance with review findings and recommendations.
- (c) Onsite review by DHS: Procurement units may also be subject to DHS-conducted onsite reviews. Procurement units that have been reviewed by DHS during a fiscal year may

submit the results of the DHS review to the HCA to satisfy the ICP Compliance Certification requirements for that fiscal year.

- (2) Electronic Assessment. Commandant (CG-851) conducts random reviews of synopsis and solicitation information and other electronically available contract action information by scanning the Federal Business Opportunities website and Contract Information Management System (CIMS), and by running Federal Procurement Database System (FPDS) and Financial and Procurement Desktop (FPD) reports. These reviews may result in further examination of a procurement unit's files and processes.
- (3) Surveys. Commandant (CG-851) conducts surveys of formal procurement units every fiscal year via the Balanced Scorecard program. Simplified acquisition units may also be invited to participate in the annual surveys by Commandant (CG-851). The surveys include a number of questions concerning timeliness, quality of services, management and other issues identified as important to the customers and employees of each procurement unit. Results from the surveys are analyzed and reported to the HCA and to each COCO. Results from the surveys are used to help assess the condition of each procurement unit and may be used to identify units that require additional training or onsite reviews.
- (4) Responsive assessment. Commandant (CG-851) may investigate specific contract actions in response to protests, congressional inquiries, ombudsman requests, or any other action that provides sufficient cause for further investigation. All procurement units are subject to responsive assessment.
- (5) Management Assistance Consultation (MAC). Commandant (CG-851) conducts consultation visits upon request by any procurement unit. The scope of the consultation is dependent upon the needs of the particular unit and may be directed at a specific problem or may be larger in scope. The MAC program also provides onsite training (referred to as the training "road show"), which is provided by members of Commandant (CG-85). The road show is intended to provide supplemental procurement training in certain subjects on an as needed basis to a procurement unit. The road show training may be used to satisfy annual skills currency training hours for purposes of warrant maintenance. Commandant (CG-851) maintains a list of subjects that are available as part of the road show and COCOs may contact Commandant (CG-851) for availability. The road show is separate and distinct from the warrant program administered by Commandant (CG-852) that manages the training courses required to attain a warrant and certification. Information about the Commandant (CG-852) warrant program may be accessed on the Office of Procurement Management's (CG-85) Internet website.
- (6) Contract Review Board (CRB). At the discretion of the HCA, a CRB may be convened to review high-dollar acquisitions or actions (i.e., those acquisitions/actions that are valued at or above \$50 million). The HCA has the discretion to convene a CRB for actions less than \$50 million if the action is determined by the HCA to be high-visibility or complex. The CRB is convened on an as-needed basis and is intended to monitor contract actions to ensure compliance with acquisition policies, procedures and regulations and to ensure that contracting decisions reflect sound business judgment. The CRB may be established when the contract is signed or otherwise as directed by the HCA. Commandant (CG-85) shall

serve as chairman of the CRB. The HCA may appoint the following individuals or their authorized representatives to serve as CRB members as needed: (1) Commandant (CG-85); (2) Commandant (G-LPL); (3) Sponsor's representative or Program Manager, if one is appointed; and (4) Other government employees with technical or contract expertise or knowledge as necessary in the discretion of the HCA. The CRB Chairman shall establish procedures for each CRB, which should include establishing thresholds for review of contract documents or identifying specific types of contract documents the contracting officer assigned to the acquisition shall be required to submit to the CRB for review. Documents reviewed by the CRB may include, but are not limited to, modifications, change orders, progress payments, exercises of options, and final contracting officer decisions on all disputes. CRB findings shall be categorized as mandatory or advisory. The contracting officer must address mandatory findings in writing to the CRB within 30 days of receipt of notice, and shall annotate the contract file as to the disposition of advisory findings. Other duties of the CRB may include meeting with the contract administration personnel, program personnel, contractor personnel, and audit personnel, as necessary.

- (7) Warrant File Review. The Department of Homeland Security (DHS) Management Directive (MD) 0740.2, Contracting Officer's Warrant Program, requires that the HCA conduct an annual audit of records on warrants issued to ensure all warrant holders and acquisition certified professionals maintain eligibility and meet skills currency requirements. The offices with HCA delegated authority to issue contracting officer warrants will be subject to annual review of contracting warrant records by Commandant (CG-85). Offices delegated the authority to issue warrants (issuing authorities) are identified in Enclosure (2) in Coast Guard Acquisition Procedures, COMDTINST M4200.19 (series). All issuing authorities are required to locally maintain documentation and any other pertinent information for each warrant issued in support of experience and training used to obtain and maintain the contracting warrant. At a minimum the file shall include the following supporting documentation: (a) a copy of Contracting Officer Nomination Memorandum (or equivalent); (b) documentation supporting contracting experience qualification; (c) a copy of a waiver for experience (if applicable, not to exceed \$25,000 authority); (d) copies of training certificates in support of warrant authority and commodities authorized (i.e., specialty training); (e) a copy of the DHS Acquisition Certificate (GS-1102s only); (f) a current copy of the Contracting Officer Certificate of Appointment and verification that it has been scanned into Workflow Imaging Network System (WINS); (g) documentation in support of Annual Skills Currency Training; and (h) a copy of a termination of warrant authority for any reason, if applicable (e.g., based on cause, mission changes, employee reassignment or departure, unsatisfactory performance or violation of ethics/standards of conduct) and verification that it has been scanned into WINS. Results from the review shall be analyzed and reported to the HCA and to each issuing authority.

6. MAJOR CHANGES. Major changes to this Instruction include: change title of Instruction to Procurement Management Internal Control Program from Procurement Management Review Program to reflect changes to contract review process; replace Program Management Reviews (PMR) with the Internal Control Plan program; delete the Resident Inspection Office (RIO)/Project Representative Office (PRO) definition; add electronic assessments, surveys, responsive assessments and warrant file reviews to the list of internal control programs; replace Procurement Management

Consultations (PMC) with Management Assistance Consultations (MAC); increase the threshold for Contract Review Boards (CRB) and permit the HCA discretion to appoint the CRB on an as-needed basis; and delete Enclosure (1), PMR Criteria in its entirety.

7. CHANGES. Units and individuals may recommend changes by writing to: Commandant (CG-851); U.S. Coast Guard; 2100 2nd Street, SW, Room 2606; Washington, DC 20593-0001.
8. ENVIRONMENTAL ASPECT AND IMPACT CONSIDERATIONS. Environmental considerations were examined in the development of this Instruction and have been determined not to be applicable.
9. FORMS/REPORTS. COCOs may incorporate in all Internal Control Plans the formal or simplified contract checklists posted on the Office of Procurement Management's (CG-85) Internet website. Annually by 30 November, all COCOs shall submit the ICP Compliance Certificate in Enclosure (1) to Commandant (CG-851).

ROBERT S. HOROWITZ /s/
Chief Procurement Officer

Encl: (1) Internal Control Plan Compliance Certification

Enclosure (1) to COMDTINST 4200.30C
SAMPLE ICP COMPLIANCE CERTIFICATION

U.S. Department of
Homeland Security

United States
Coast Guard



Commandant
United States Coast Guard

2100 Second Street, S.W.
Washington, DC 20593-0001
Staff Symbol: CG-85
Phone: (202) 267-1157
Fax: (202) 267-4011
Email:

4200

MEMORANDUM

From: Chief of the Contracting Office

Reply to
Attn of:

To: Commandant (CG-851)

Subj: INTERNAL CONTROL PLAN (ICP) COMPLIANCE CERTIFICATION

Ref: (a) Procurement Management Internal Control Programs, COMDTINST 4200.30C

1. I have conducted the internal control review for FY ____ in accordance with the terms of the Internal Control Plan (ICP) and in accordance with applicable acquisition laws and regulations. The results of the internal control review are as follows.

2. The overall percentage of unacceptable findings¹ from the contract checklist review was ____%. The unacceptable findings were in the following areas: *[Describe the areas in which unacceptable findings occurred and attach the proposed corrective action plan and timeline for resolving unacceptable findings].*

3. There were no other deficiencies or material weaknesses found during this ICP review *[or, if this statement cannot be made, revise this paragraph to describe any deficiencies or material weaknesses].*

4. As a result of this review, I certify that [Name of Procurement Unit] is in compliance with our ICP and applicable acquisition laws and regulations, and that supporting data, which forms the basis for this certification, is complete and accurate.

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¹ The overall percentage of unacceptable findings equals the number of unacceptable findings/total of acceptable and unacceptable findings on the contract checklist. Do not count "not applicable" responses from the checklist.