COMDTINST 5040.6A
06 SEP 2018

COMMANDANT INSTRUCTION 5040.6A

Subj: COAST GUARD ASSESSMENT, INSPECTION, AND AUDIT GOVERNANCE

Ref: (a) Management's Responsibility for Internal Control, COMDTINST 5200.10 (series)
        (b) Risk-Based Decision-Making, COMDTINST 16010.3 (series)

1. PURPOSE.

   a. To minimize the burden that internal U.S. Coast Guard Assessment, Inspection, and Audit (AIA) activities places on units without sacrificing overall operational readiness. This Instruction establishes a governance structure for AIA activities and further defines a process to validate requirements, identify redundancy, evaluate risk, consolidate scheduling, and provide transparency of AIA results. Additionally, the AIA governance system will establish standard reporting criteria and leverage information management tools to inform decision-makers of AIA results, track trends, and provide data to program managers and product lines for use in identifying driving influences of non-compliance. AIA activity results shall be collected, analyzed, and reported for trend/best practice analysis and procedural process improvement. Furthermore, the AIA governance system will improve AIA information management to ensure AIA results are optimally shared.

   b. Upon implementation of the new governance structure, it is expected that there will be fewer visits to units, minimal redundancy in AIA activities, and no significant increase in organizational risk. Definitions of AIA-specific terms are provided in Enclosure (1). This list can be modified by the AIA Configuration Control Board (CCB) or the AIA Compliance Oversight Board (COB). This list specifically exempts financial and property audits governed by Commandant (CG-8) and any external assessments, audits or inspections which are directed by,

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and implemented by, an external authority. However, every effort will be made to consider these activities when practical. Enclosure (2) provides the guidelines of the AIA Governance Cycle.

2. <u>ACTION</u>. All Coast Guard unit commanders, Commanding Officers, Officers-In-Charge, deputy/assistant commandants, and chiefs of headquarters staff elements shall comply with the provisions of this Instruction. Internet release is authorized.

3. <u>DIRECTIVES AFFECTED</u>. This Instruction cancels Coast Guard Assessment, Inspection, and Audit Governance, COMDTINST 5040.6.

4. <u>DISCUSSION</u>.

   a. AIA activities fill an essential function in supporting and validating effective internal controls required by Reference (a), and various government Directives. They provide effective validation of compliance with laws, policies, and procedures and may assist leaders in evaluating organizational risk. AIA activities provide a source of information for:

      (1) Headquarters staff elements when providing statements of assurance;

      (2) Programs evaluating policy effectiveness, compliance, and performance; and

      (3) Operational Commanders and Commanding Officers/Officers in Charge when evaluating their own compliance with laws, policies, and procedures.

   b. Many AIA activities, however, are conducted independently and lack consistent configuration management, coordination, and visibility. This results in the potential for disparate AIA methods, redundancy, and inefficiency.

   c. This Instruction establishes the AIA Compliance Oversight Board (COB) and Configuration Control Board (CCB) to govern Coast Guard internal AIA activities. It establishes FORCECOM as the primary coordinator of AIA activities. FORCECOM, in coordination with operational commanders and program managers, will facilitate risk assessments of AIA activities, identify opportunities to consolidate activities (where appropriate), facilitate coordinated scheduling of AIA activities, and identify and cut redundant activities.

   d. AIA Classification and Process Business Rules govern the Classification and Validation steps of the AIA governance cycle. They can be found at http://cglink.uscg.mil/3fd2ce49.

   e. An updated list of AIA teams can be found at http://cglink.uscg.mil/c9d3933f and will be maintained by the AIA Governance Office (AIA GO).

   f. This Instruction shall not affect senior commands' responsibility and authority in the management and oversight of their subordinate units as deemed appropriate for the circumstances and risks. For example, this includes Sector Command oversight of boat stations, Aids to Navigation Teams, and patrol boats, and Headquarters units' oversight of logistics and service centers.

5. <u>DISCLAIMER</u>. This guidance is not a substitute for applicable legal requirements, nor is it itself a rule. It is intended to provide operational guidance for Coast Guard personnel and does not impose legally binding requirements on any party outside the Coast Guard.

6. <u>MAJOR CHANGES</u>. This Instruction represents a major revision of the previous Coast Guard Assessment, Inspection, and Audit Governance, COMDTINST 5040.6 promulgated 29 February 2016. Because of the extensive changes, units are encouraged to conduct a thorough review of the Instruction. Significant policy changes include:

   a. Addition of a Commandant (CG-1) Representative to the CCB;

   b. Addition of a Commandant (CG-4) Representative to the CCB;

   c. Addition of the FORCECOM Command Master Chief (CMC) to the CCB;

   d. Added the CCB responsibility to update individual AIAs as necessary;

   e. Added the responsibility to FORCECOM to standardize AIA grading criteria and terminology;

   f. Added the "AIA Execution Cycle" Section;

   g. The list of approved AIA Teams has been moved to the Discussion Section with a link (http://cglink.uscg.mil/c9d3933f) to the CGPortal site housing the official classification results; and

   h. Updated AIA governance cycle graphic to better align with current practices.

7. <u>ENVIRONMENTAL ASPECT AND IMPACT CONSIDERATIONS</u>.

   a. The development of this Instruction and the general policies contained within it have been thoroughly reviewed by the originating office in conjunction with the Office of Environmental Management, Commandant (CG-47). This Instruction is categorically excluded under current Department of Homeland Security (DHS) categorical exclusion (CATEX) A3 from further environmental analysis in accordance with "Implementation of the National Environmental Policy Act (NEPA)", DHS Instruction Manual 023-01-001-01 (series).

   b. This Instruction will not have any of the following: significant cumulative impacts on the human environment; substantial controversy or substantial change to existing environmental conditions; or inconsistencies with any Federal, State, or local laws or administrative determinations relating to the environment. All future specific actions resulting from the general policy in this Instruction shall be individually evaluated for compliance with the National Environmental Policy Act (NEPA), Department of Homeland Security (DHS) and Coast Guard NEPA policy, and compliance with all other applicable environmental mandates.

8. <u>DISTRIBUTION</u>. No paper distribution will be made of this Instruction. An electronic version will be located on the following Commandant (CG-612) web sites: Internet site: http://www.dcms.uscg.mil/directives/ and CG Portal: https://cgportal2.uscg.mil/library/directives/SitePages/Home.aspx.

9. <u>RECORDS MANAGEMENT CONSIDERATIONS</u>. This Instruction has been evaluated for potential records management impacts. The development of this Instruction has been thoroughly reviewed during the Directives clearance process, and it has been determined there are no further records scheduling requirements in accordance with Federal Records Act, 44 U.S.C. 3101 et seq., National Archives and Records Administration requirements, and the Information and Life Cycle Management Manual, COMDTINST M5212.12 (series). This policy does not make any significant or substantial change to existing records management requirements.

10. <u>POLICY</u>. The AIA COB and CCB, and FORCECOM shall govern and oversee all AIA activities. When either board is considering an AIA activity that does not have a principal represented on the board, the respective board will ensure a representative is invited to attend the board meeting to guarantee that all issues and concerns are addressed and facilitate full visibility and transparency in the process.

a. <u>AIA Compliance Oversight Board (COB)</u>. The AIA COB shall be the senior-level AIA governing body, and shall report as necessary to DCO, DCMS, and the Area Commanders through the Deputies Principal Council. The Commander, FORCECOM, shall chair the board, which consists of flag-level representatives from DOL, LANT-09, PAC-09, Commandant (CG-4), Commandant (CG-7), and Commandant (CG-8C). Members may bring advisors or subject matter experts as desired. The FORCECOM Chief-of-Staff (CoS) shall serve as the secretary/recorder. With the assistance of the CCB, and as coordinated by FORCECOM, the COB shall:

   (1) Meet annually and as required;

   (2) Ensure AIA strategies and execution are aligned with service and program strategic goals, as well as external and internal policies;

   (3) Review the FORCECOM and CCB inventory of AIA activities. Direct policy changes or establish AIA priorities, if required; and,

   (4) Adjudicate AIA configuration or coordination items that the CCB is unable to resolve.

b. <u>AIA Configuration Control Board (CCB)</u>. The AIA CCB is the O-6/E-9 level AIA governing body. FORCECOM CoS chairs the AIA CCB. The CCB consists of the DCO-EA, DCMS-EA, LANT CoS, PAC CoS, DOL-D; Representatives from Commandant (CG-1), Commandant (CG-4), Commandant (CG-7), Commandant (CG-8), DCMS Command Master Chief, LANT Command Master Chief, PAC Command Master Chief, and FORCECOM Command Master Chief, a designated district representative (O6/E9), and a designated sector representative (O6/E9 OIC). Members may bring advisors or subject matter experts as desired. FORCECOM Assessment Division (FC-A) shall serve as secretary/recorder. The CCB reports to the COB. The AIA CCB shall:

   (1) Meet quarterly or as required;

   (2) Research and recommend changes to AIA strategies, policies, and TTPs as necessary;

(3) Resolve AIA conflicts through CCB coordination as required; recommend changes to COB if necessary;

(4) With FORCECOM assistance, develop an inventory of AIA activities. Provide awareness of new standards and/or increases in the burden on operational units;

(5) With FORCECOM assistance, improve AIA activity configuration, coordination, and reporting;

(6) With FORCECOM assistance, recommend improvements to AIA information management;

(7) Make available to stakeholders of AIA activities, who do not have CCB representation, the opportunity to provide input to the AIA processes; and,

(8) Review and approve AIA validation packages as needed.

c. <u>Commander, Force Readiness Command (FORCECOM)</u>. Through FORCECOM Assessment Division (FC-A), FORCECOM shall establish and maintain an AIA governance system that is approved by the CCB and COB. To support the COB and CCB, FORCECOM shall:

(1) Chair the COB and CCB. Develop governance procedures for the COB and CCB functions.

(2) Assist with research and recommendations for AIA strategy and policy changes.

(3) Assist the CCB in development and maintenance of an inventory of AIA activities. Recommend AIA validation priorities if required.

(4) Assist the CCB in classification, validation, and configuration of AIA activities.

(5) In coordination with operational commanders, program managers, product line managers and AIA activities, identify overlap in AIA content, coordinate AIA scheduling, assess risk and reduce any unnecessary burden on units. Resolve coordination issues and make recommendations to the CCB if required.

(6) Establish standard reporting criteria and leverage information management tools to optimize information sharing of AIAs. Such criteria and tools should identify both "what" and "how" AIA information is reported.

(7) Ensure consistency in AIA reporting in the form of "Compliant" or "Non-Compliant" and a list of non-compliant items.

(8) Motivate units to meet compliance of each element by eliminating the previously used system of an overall "Pass/Fail" score or percentage. AIA activity results shall be aggregated and reported for trend/best practice analysis and procedural process improvement.

(9) Improve AIA information management to ensure optimal sharing of AIA results. Submit recommended improvements to the CCB for items that FORCECOM is unable to resolve.

(10) Develop AIA business rules to provide guidance for AIA evaluation, risk assessment, scheduling, reporting.

d. <u>Area Commanders and DOL Director</u>. To support the AIA governance system, the area commanders and DOL Director shall:

(1) Promote and enforce AIA governance system policies and procedures;

(2) Ensure subordinate units correct non-compliance in accordance with established timelines;

(3) Coordinate logistical support and resources to correct non-compliance beyond unit capabilities, and/or initiate budget planning to address issues for which funding is not available;

(4) Provide input on areas requiring more or less AIA rigor; and,

(5) Document, implement, and monitor corrective action(s) for repeated non-compliant units.

e. <u>FORCECOM Training Managers, AIA Program Managers, AIA Product Line Managers, and AIA Teams</u>.

(1) Identify and track issues that are beyond the unit's control and require resolution by a higher authority.

(2) Support AIA data management initiatives to optimize information sharing and standardize reporting practices.

(3) Develop, evaluate, and report AIA program performance metrics.

(4) Update and maintain respective AIA program guidance and processes consistent with the AIA governance system.

(5) Coordinate efforts to align program capabilities and requirements with checklists; resolve program requirement issues identified within the AIA validation process and during visits.

(6) Coordinate with the AIA GO the selection and assignment of a Board of Experts (BOE) membership. The BOE is responsible for the review, design, and beta testing of validated AIA activity checklists. The BOE members must be able to demonstrate a thorough understanding of the objectives, policies, processes, and systems of the given AIA activity. In cases where the AIA activity supports multiple programs, it is imperative that each program is represented in the BOE.

f. <u>AIA Execution Cycle</u>. Unit evaluation methods consist of two AIA assessment processes: (1) unit self-assessment, and (2) third party assessment.

(1) Unit self-assessment is completed by unit personnel (or a third party authorized by the unit's Operational Commander).

       (2) Third party assessment is conducted and submitted by an approved AIA. When third party assessment is conducted, a unit is not required to complete a self-assessment during that calendar year. Unit self-assessments shall be submitted through the means and methods promulgated by the respective AIA, as approved by the AIA GO.

    g. <u>Timing of Assessments:</u> A unit will either complete a self-assessment (completed by either the unit (or a third party authorized by the unit's Operational Commander) or receive a third party assessment from an AIA each calendar year. When the program determines, in accordance with Reference (b), that the benefit of self-assessments is greater than the burden that they create, then one shall be conducted and submitted to the AIA. The self-assessment, and subsequent submission, shall be done no less than 90 days after the most recent third party assessment and no less than 90 days before the next third party assessment. This requirement attaches once the AIA GO has validated an AIA and the activity's checklists are approved. Self-assessments shall be completed using a two-person integrity system.

11. <u>FORMS/REPORTS.</u> None.

12. <u>REQUESTS FOR CHANGES.</u> Submit recommendations for improvements or corrections through the AIA Governance Office email distribution list <u>D05-DG-FORCECOM-AIA@uscg.mil</u>. FORCECOM will promulgate time-sensitive amendments by administrative notification, pending their inclusion in the next change to this Instruction.

                    Charles W. Ray /s/
                    Admiral, U.S. Coast Guard
                    Vice Commandant

Encl: (1) AIA Definitions
         (2) AIA Governance Cycle

AIA Definitions

AIA. Acronym that stands for internally directed Coast Guard Assessments, Inspections, and Audits.

AIA-Exempt. An AIA Activity that is considered equivalent in authority to an AIA, but is outside the scope of the AIA governance system.

AIA Activity. The employment (exported, virtual, or unit level) of AIA approved methods (observation, test, drills, etc) to assess, inspect or audit.

AIA Team. An entity of subject matter experts approved by AIA governing bodies and a program's asset resource council, charged with the delivery of AIA activities aligned with the AIA process guide and Headquarters policy at a given periodicity to a defined audience.

Analysis. In general, analysis is systematic study prior to action. In the Human Performance Technology context, analysis identifies through scientific processes, what performance interventions will result in optimized workforce performance.

Assessment. The use of tools by AIA Teams or units, used to determine the current state (baseline) of human performance and/or adherence to standards by a unit.

Audit. A systematic and objective based activity that measures the efficiency or effectiveness of a given process, typically carried out by an independent or impartial assessor.

Compliance. Adherence to law, policy, doctrine, or tactics, techniques, and procedures determined as a percentage of compliant scored items during a formal inspection

AIA Compliance Oversight Board (AIA COB). The senior-level AIA governing body. Commander, FORCECOM chairs the board, which consists of flag representatives from DOL, LANT-09, PAC-09, Commandant (CG-4), (CG-7), and (CG-8c). The FORCECOM CoS shall serve as secretary/recorder. COB reports to the DCO, DCMS, and the Area Commanders through the Deputies Council.

AIA Configuration Control Board (AIA CCB). The O-6/E-9 level AIA governing body. FORCECOM CoS chairs the AIA CCB. The CCB consists of members from DCO-EA, DCMS-EA, LANT CoS, PAC CoS, Commandant (CG-1), Commandant (CG-4), Commandant (CG-7), Commandant (CG-8), DCMS Command Master Chief, a Designated District representative (O6/E9), a Designated Sector representative (O6/E9 OIC), DOL-D, and the LANT/PAC Command Master Chiefs. FC-A is the secretary/recorder. CCB reports to the COB.

Evaluation. A process used to measure value and effectiveness. An effective evaluation provides the feedback essential to improve individual performance, training, and other performance interventions (e.g., policy updates, qualifications, tools, or equipment).

Feedback. Information delivered in written or oral form, by an approved AIA Team, following an AIA activity delivered to an AIA activity stakeholder.

Inspection. A formal examination, or measure of compliance against a defined standard(s), and in absence of any assistance by the AIA Team performing the activity, which is reflected in formal reporting using program criteria routed through the receiving unit's chain of command.

Internal Control. Synonymous with management controls; a series of systematic measures, such as reviews, checks and balances, reconciliations, methods and procedures that continuously occur throughout an entity's operations and provide management with reasonable assurance that goals and objectives will be met.

Non-AIA. An activity that either has not participated in the AIA classification process or does not inherently possess either policy or statutory mandate requiring Coast Guard units to support the activity.

Process. A set of interrelated or interacting activities, which transforms inputs into outputs. These activities require allocation of resources such as people and materials.

Scoring. All formal inspections shall be scored on a compliant/non-compliant basis for each individual monitoring item.
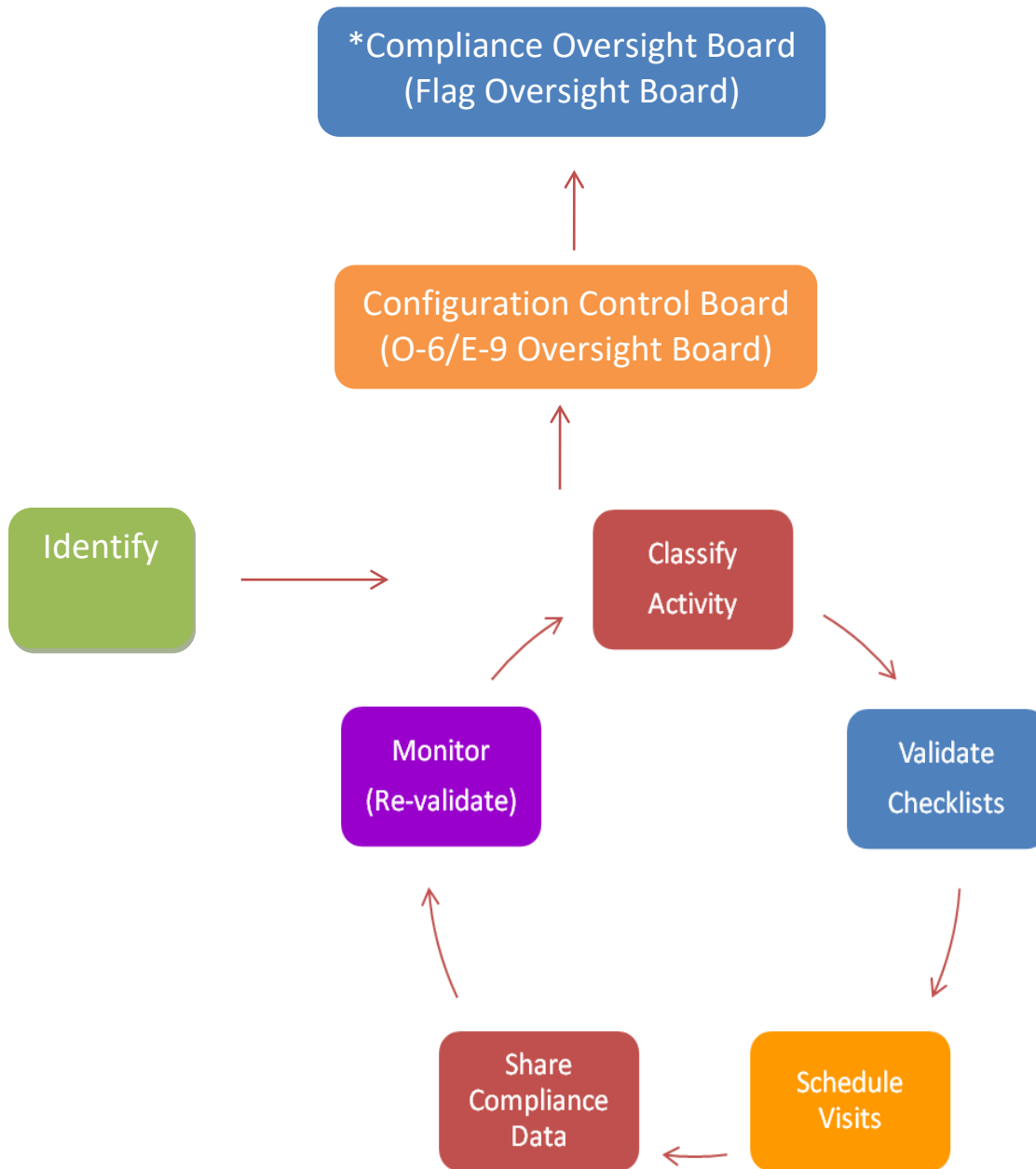
Standardization. The minimization and removal of variations and irregularities in procedures and activities to bring them into conformity to ensure safe and consistent operations.

Subject Matter Expert (SME). A member who is a program-recognized expert or specialist in some aspect of performance or knowledge, in one or more of the AIA activities.

Tactics, Techniques, and Procedures (TTP). A specialized group of publications that is closely related to, but distinct from doctrine. TTP provides the specific What, When, How, Where, Who, and Why. Tactics are the employment and ordered arrangement of forces in relation to each other. Techniques are non-prescriptive ways or methods to perform missions, functions, or tasks. Procedures are standard detailed steps that prescribe how to perform specific tasks.

Training. An intervention for bringing about a change in behavior when a lack of skills or knowledge is present.

AIA Governance Cycle

*Compliance Oversight Board
(Flag Oversight Board)

Configuration Control Board
(O-6/E-9 Oversight Board)

Identify

Classify
Activity

Monitor
(Re-validate)

Validate
Checklists

Share
Compliance
Data

Schedule
Visits

* The CCB shall be the primary adjudicator, and will send those issues that have failed to reach a resolution to the COB.