

Department of the Army
Little Rock District, Corps of Engineers
P. O. Box 867
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Regulation
No. 11-1-1

16 May 1996

Army Programs

Management Control Process

Summary. This revision updates District Management Control Process policies, responsibilities, and procedures.

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1. Purpose. The purpose of this regulation is to set forth policies and procedures and to assign responsibilities for the implementation and operation of the Little Rock District Management Control Process.

2. Applicability. The provisions of this directive apply to all organizations and managers of the Little Rock District, U.S. Army Corps of Engineers.

3. Reference AR 11-2, Internal Management Control, 1 Aug 94.

4. Policy.

a. All District managers have an inherent responsibility for establishing and maintaining effective management controls. The District's Management Control Process (MCP) is predicated upon assignment of personal responsibility to all staff officers (Division/Office Chiefs) for evaluating the adequacy of management controls and assuring that prescribed measures are being used. Each manager is to self-examine his or her organizational policies and procedures to determine if resources are protected and used in a cost effective manner.

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b. The management control process does not require the evaluation of all management controls, only those key management controls identified by higher headquarters and published in the District's Management Control Plan. Management control measures will provide reasonable, but not absolute, assurance that program objectives will be met. The cost of management controls should not exceed benefits derived. Managers will apply the concept of reasonable assurance in situations involving management controls, whereby costs, benefits, and risks within their organization are analyzed to ensure that proper decisions are made.

5. Objectives. The Management Control Process is designed to ensure the following objectives are achieved:

a. Assets are safeguarded.

b. Financial management practices comply with law.

c. Programs and administrative functions are effectively and efficiently carried out.

6. Responsibilities.

a. The Resource Management Office, Management Analysis Branch will provide Management Control Process management for the District Engineer by the appointment of a Management Control Process Administrator.

b. The Management Control Process Administrator (MCPA) will:

(1) Develop and administer the Management Control Process.

(2) Keep the Commander and managers informed on management control matters.

(3) Develop and maintain a Management Control Plan for the District.

(4) Verify that alternate evaluation methods selected for use in lieu of checklists are valid.

(5) Review all evaluations (DA Form 11-2-R) for compliance with Management Control guidance before submitting to the Commander for signature.

(6) Obtain staff input and prepare and staff the Annual Assurance Statement (AAS).

(7) Develop and conduct Management Control Process training.

(8) Ensure material weaknesses are tracked until corrected.

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(9) Retain all required documentation in support of annual assurance statements and the correction of material weaknesses.

(10) Ensure explicit statements of responsibility are documented in performance agreements of all managers, supervisors, and team leaders.

c. Division and Office Chiefs will:

(1) Attend an initial Management Control Process training session and refresher sessions.

(2) Understand and apply the 12 GAO Standards in all day-to-day operations.

(3) Ensure that explicit statements of responsibility providing individual accountability for management controls are included in job standards of all supervisors and team leaders.

(4) Provide the MCPA and maintain current a list of Division/Office managers/points of contact, supervisors, and team leaders by position title, with Management Control responsibilities.

(5) Develop and maintain controls for prevention of fraud, waste, and abuse in their area of responsibility and communicate the controls to their employees.

(6) Conduct management control evaluations as required by the District Management Control Plan and process required evaluation documentation IAW Appendix B.

(7) Report to the MCPA any potential weaknesses in management controls as they are discovered for tracking of corrective action IAW Appendix C.

(8) Establish and implement plans to correct weaknesses/material weaknesses and provide quarterly status reports (Appendix C) to the MCPA until corrected.

(9) Prepare and forward to the MCPA an annual statement of assurance on the adequacy of key controls in each Division/Office.

d. Finance & Accounting Officer will:

(1) Coordinate management control functions in Finance and Accounting with the District MCPA.

(2) Utilize the Quality Assurance Program to evaluate District management controls pertaining to finance and accounting.

(3) Advise the MCPA of material weaknesses for possible inclusion in the District's Annual Assurance Statement.

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e. Information Management Officer will:

(1) Be responsible for the management controls associated with executive software and security of ADP hardware, software, and related communication linkages.

(2) Ensure that management controls have been adequately addressed and evaluated in the development of ADP systems.

f. Internal Review Officer will:

(1) Perform compliance testing with Management Control Process requirements and provide results to the MCPA.

(2) During the conduct of internal reviews, evaluate the District's implementation of the Army's Management Control Process and provide the MCPA a copy of the assessment.

(3) Advise the District Engineer, the MCPA, and appropriate staff concerning probable or possible material weaknesses detected during inspections, audits, and internal reviews for possible inclusion in the Annual Assurance Statement. Copies of probable or possible material weaknesses detected by Internal Review will be provided to the MCPA for possible inclusion in the Commander's Annual Assurance Statement.

g. Security and Law Enforcement Officer will provide the MCPA copies of all incidents involving a loss of government property and any incidents involving criminal activity.

h. Logistics Management Officer will provide the MCPA copies of reports involving a damage to or loss of government property.

i. All managers, supervisors, and team leaders will understand and apply the 12 GAO standards in all day-to-day operations.



P.S. MORRIS
Colonel, Corps of Engineers
District Engineer

3 Appendixes

App A - 12 GAO Standards

App B - Management Control

Evaluation Procedures

App C - Material Weakness Reports

App D - Definitions

DISTRIBUTION A

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APPENDIX A

12 GAO Standards

The General Accounting Office established 12 standards for defining the minimum level of quality acceptable for Management Controls in operations. Ensuring that controls are in conformance with these standards is the basic Integrity Act responsibility of every manager. Every manager, supervisor, and team leader must understand and apply the 12 GAO Standards in accomplishing their day-to-day responsibilities and employ adequate controls to ensure continuing compliance with the standards.

1. Reasonable Assurance: Management controls are used to provide reasonable assurance that the objectives of the systems will be accomplished.
2. Supportive Attitude: Managers and employees are to maintain and always demonstrate a positive and supportive attitude toward management controls.
3. Competent Personnel: Managers and employees are to maintain a level of competence that allows them to accomplish their duties, and understand the importance of developing and implementing good management controls.
4. Control Objectives: Management control objectives are to be identified and developed for each agency activity and are to be logical, applicable, and reasonably complete.
5. Control Techniques: Management control techniques are to be effective and efficient in accomplishing management control objectives.
6. Documentation: Management control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.
7. Recording of Transactions & Events: Transactions and other significant events are to be promptly recorded and properly classified.
8. Execution of Transactions & Events: Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.

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9. Separation of Duties: Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

10. Supervision: Qualified and continuous supervision is to be provided to ensure that management control objectives are achieved.

11. Access to & Accountability for Resources: Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison will also be made.

12. Prompt Resolution of Audit Findings: Managers are to promptly evaluate findings and recommendations reported by auditors; determine proper actions in response to audit findings and recommendations; and complete within established time frames, all actions that correct or otherwise resolve matters brought to management's attention.

APPENDIX B

Management Control Evaluation Procedures

1. A management control evaluation is a periodic, detailed assessment of key management controls to determine whether they are operating as intended. This assessment must be based on the actual testing of key management controls identified by the HQUSACE Management Control Master Inventory and published in the District's Management Control Plan. Key controls are identified by Higher headquarters, however, in most cases managers will decide how they will conduct the evaluations (i.e., checklists or some existing management review process). If an alternative evaluation method is used, it must be documented in memorandum format and validated by the MCPA before its use. The criteria for validating the alternative method is provided in the checklist at Figure B1. Regardless of the method used to evaluate controls, there are three basic criteria for an evaluation to be acceptable.

- a. It must assess the key management controls in that functional area.
- b. It must do this by actually testing those key controls.
- c. It must document the evaluation.

2. Several approaches can be used to test the effectiveness of key management controls. These approaches include: direct observation (e.g., to determine if a shop operation complies with a specific control), file/document analysis (e.g., to verify that a required certification, designation or approval document is in place and up to date), sampling (e.g., to determine if there is any evidence of a problem that might require further investigation), or simulation (e.g., to determine if an automated system's edit program will "kick-out" an invalid document or transaction).

3. All management control evaluations will be documented on DA Form 11-2R, Jul 94 (Management Control Evaluation Certification Statement). The form may be reproduced or electronically generated. The electronically generated form must contain all data elements and follow the exact format of the existing printed form. The form number of the electronically generated form will be shown as DA Form 11-2-R and the date will be the same as the date of the current edition of the printed form (i.e., Jul 94).

4. Evaluation statements will be forwarded through the Management Control Process Administrator to the District Commander for signature. The signed statement will be returned to the office that conducted the evaluation for file retention until the next required evaluation is completed. A copy of the signed statement, without backup documentation, will be forwarded to the Management Control Process Administrator.

5. Instructions for completing DA Form 11-2-R, Management Control Evaluation Certification Statement, are provided below.

a. Block 1. Enter the AR that governs the function being evaluated.

b. Block 2. Enter the date of the governing AR.

c. Block 3. Enter the name of the organization that is headed by the Assessable Unit Manager (the District Commander).

d. Block 4. Enter the function evaluated, as listed in the Management Control Plan.

e. Block 5. If the evaluation is conducted using a Management Control Checklist, check Block 5a and enter the Appendix in the AR where the checklist is located (e.g., Appendix D). If the evaluation is conducted using an existing management review process, check Block 5b and describe the process.

f. Block 6. Enter the name of the individual who actually conducted the evaluation.

g. Block 7. Describe the methods used to test key controls, the weaknesses detected by the evaluation (if any) and the corrective actions taken. If an existing management review process with its own documentation is used (e.g., a Memo for Record, After-Action Report, Decision Memo, or Audit Report), attach a copy of the documentation and indicate "see attached" in this block.

h. Block 8. Enter the Commander's signature block and the date of certification.

ALTERNATIVE EVALUATION METHOD CHECKLIST

- 1. All evaluation methods must:
 - a. Assess each key management control in a functional area;
 - b. Actually test the key control; and
 - c. It must document the evaluation.

2. The alternative method chosen to evaluate key management controls in _____

(Functional Area)

[] meets [] does not meet the following criteria.

- a. _____ The functional area and key management controls are specifically identified.
- b. _____ An explanation is provided of how each key control is suppose to work.
- c. _____ The method used to test the controls is specifically identified and described.
(i.e., through direct observation, lock operations were observed to verify that the lock operators were complying with current procedures listed in SWLR XX-X-X; or through sampling, 15 travel vouchers were randomly selected and reviewed to verify they are approved by the appropriate Travel Approving Official and a copy of the Travel Orders is attached; etc.)

COMMENTS: _____

Management Control Process
Administrator

FIGURE B1

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APPENDIX C

Material Weakness Report

1. Potential weaknesses or material weaknesses will be reported to the Management Control Process Administrator (MCPA) for monitoring and tracking of corrective actions. The format for use in initially reporting potential weaknesses is provided at Figure C1. The status of these weaknesses will be reported quarterly (Figure C2). If the District Engineer determines that a weakness should be reported to higher headquarters it will be reported in the format provided at Figure C3. The format at Figure C3 will also be used to report the status of all material weaknesses reported to HQUSACE.

2. Known findings from audits, inspections, reviews, checklists, etc., should be considered when identifying and reporting material weaknesses. Although audit-type findings generally address weaknesses, the final determination whether a finding or a report warrants additional reporting as a material weakness is solely a matter of management judgment. Consider the following for identifying and reporting material weaknesses:

a. Absence or noncompliance with any management control for accomplishing regulatory requirements constitutes a weakness that must be corrected. The initial determination that a weakness is or is not material is based on the managers judgment about the relative significance of the problem. If the problem requires the attention or awareness of the next higher level of management, it should be considered material and reported. Each level of management will then redetermine its materiality.

b. Consideration of each of the following factors could help in the judgment call on whether the absence of or a noncompliance with a management control constitutes a material weakness:

(1) Actual or potential loss of resources, sensitivity of the resources involved, magnitude of funds, property, or other resources involved, actual or potential frequency of loss;

(2) Current or probable media and congressional interest, actual or potential for diminished credibility or reputation;

(3) Impaired fulfillment of the essential mission, unreliable information causing unsound management decisions, public deprivation of a needed government service; and

(4) Violation of statutory or regulatory requirements, or information security risk.

REPORT OF POTENTIAL WEAKNESS/MATERIAL WEAKNESS

INSTRUCTIONS: A standard memorandum format as structured below is used to document a potential weakness. Address all paragraphs. The memorandum will be signed by a Division/Office Chief and forwarded to the MCPA, CESWL-RM-M.

CESWL- (11-2a)

(Date)

MEMORANDUM THRU MCPA

FOR District Engineer

SUBJECT: Potential Management Control Weakness

1. Short Title of the Weakness.
2. Description of the Issue. Provide a complete description of the weakness (e.g., who, what, where, when, why & how). Use enclosures to provide relevant material.
3. Recommended Corrective Action. Self explanatory. Use enclosures as needed
4. Organizations Involved. Identify organization with primary functional responsibility for subject matter of weakness and all other organizations involved.
5. Source of Detection. Provide how the weakness was detected. If by an audit/report/etc. give name, number, and date.
6. Point of Contact. Name, office symbol, and telephone number.

Signature
(Office or Division Chief)

WEAKNESS/MATERIAL WEAKNESS QUARTERLY STATUS REPORT

INSTRUCTIONS: This format is used for reporting status of weaknesses not yet reported to higher headquarters. Address all paragraphs. The memorandum will be signed by all responsible Division/Office Chiefs and forwarded to the MCPA, CESWL-RM-M.

CESWL-XX (11-2a)

(Date)

MEMORANDUM THRU MCPA

FOR District Engineer

SUBJECT: Quarterly Status Report for (Enter Title of Weakness and Local Control Number).

1. Status of Corrective Action.
2. Corrective Action Milestones. Provide reason why any original milestones are being changed.
 - a. Completed Milestones.
Date. Milestone.
 - b. Planned Milestones.
Date. Milestone.

SIGNATURE(S)

FIGURE C2

REPORT OF MATERIAL WEAKNESS

INSTRUCTIONS: This format is used to document and report material weaknesses to Division and HQUSACE and for follow-up status reporting (e.g., midyear report to CESWD). Forward report to the MCPA, CESWL-RM-M.

REPORT OF MATERIAL WEAKNESS

HQUSACE ID#: _____ If previously reported in the HQUSACE Annual Assurance Statement, enter the number assigned by HQUSACE. If not known, leave blank

1. Title and Description of Weakness/Material Weakness.

The title should be sufficient to alert a reader of the function/issue being addressed. It should provide enough information about the condition, cause, and effect to facilitate an understanding of the problem by a member of Congress or the public.

2. Functional Category: Indicate one of the following.

- a. Research, Development, Test, and Evaluation
- b. Major Systems Acquisition
- c. Procurement
- d. Contract Administration
- e. Force Readiness
- f. Manufacturing, Maintenance, and Repair
- g. Supply Operations
- h. Property Management
- i. Communications and/or Intelligence and/or Security
- j. Information Technology
- k. Personnel and/or Organization Management
- l. Support Services
- m. Security Assistance
- n. Other. Specify functions not listed above. (e.g., Engineering, Planning, Construction, etc.)

3. Pace of Corrective Action:

a. Year Identified: FY weakness first reported in your assurance statement. If this is a new weakness, report "N/A".

b. Original Targeted Correction Date: FY that correction was targeted when the weakness was first reported. If this is a new weakness, report "N/A".

FIGURE C3

c. Targeted Correction Date in Last Year's Report: FY the weakness was targeted for correction in last year's report. If this is a new weakness, report "N/A".

d. Current Target Date: FY that weakness is currently targeted for completion. If this is a new weakness, report "N/A".

e. Reason for Change in Date(s): Explain what caused the change in the targeted completion date if date in Targeted Correction Date in last years report is prior to the date in Current Target Date. If these dates are the same or N/A or this is a new weakness, report "N/A".

4. Component/Appropriation/Account Number: Component is U.S. Army Corps of Engineers. Identify the appropriation(s) and account number(s) associated with this correction (i.e., U.S. Army Corps of Engineers/Other Procurement/VWXXXXXXXXXX).

5. Validation Process: Briefly indicate the methodology that will be used to validate the effectiveness of the corrective actions and the date that will take place. Indicate if the local Internal Review Office, elements of HQUSACE or Division, Inspector General or Army Audit Agency have a role in the verification of the corrective action.

6. Results Indicators: Describe key results that have been or will be achieved in terms of performance measures (i.e., quantitative and/or qualitative measures that determine the benefits derived from the corrective action) and the overall impact of the correction on operations. If monetary benefits are determinable, they should be included here.

7. Source(s) Identifying Weakness: List all sources contributing to the detection of the weakness. These may include: Self Assessments Results; Management Control Evaluations; Inspector General or Audit Agency findings (if so, include the name, report number and date of the document in which the weakness is identified); etc.

8. Major Milestones in Corrective Action: Milestones may be added or deleted for previously reported weaknesses/material weaknesses. If adding enter "adding" under the new milestones date and if deleting put "deleted" under the date with a short explanation of why it is deleted.

a. Completed Milestones.

Date.	Milestone.
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FIGURE C3 (Cont.)

b. Planned Milestones (Current FY).

Date. Milestone.

c. Planned Milestones (Beyond Current FY).

Date. Milestone.

9. Point of Contact. Name, office symbol, and phone number of individual who is most knowledgeable about and can respond to specific inquiries about the weakness. Following this individual, list POCs for all organizations having action in correcting the weakness.

<u>Name</u>	<u>Office Symbol</u>	<u>Telephone</u>
(List primary POC first) _____	_____	_____
_____	_____	_____

10. Staff Principle Coordination. Office symbol, signature, and date this weakness report and status of corrective actions coordinated with the staff principles responsible for corrective action.

<u>Office Symbol</u>	<u>Signature and Date</u>
_____	_____
_____	_____

APPENDIX D

Definitions

1. Management Controls. The rules, procedures, techniques, and devices employed by managers to ensure that what should occur in daily operations does occur on a continuing basis.
2. Key Management Controls. Those absolutely essential management controls which must be implemented and sustained in daily operations to ensure organizational effectiveness and compliance with legal requirements.
3. Reasonable Assurance. An acceptable degree of confidence in the general adequacy of management controls to deter or detect material failures in complying with the Integrity Act objectives.
4. Assessable Unit. Reporting organizations are segmented into assessable units, which in turn are responsible for conducting management control evaluations in accordance with the Management Control Plan. The Little Rock District is an Assessable Unit.
5. Assessable Unit Manager. The military or civilian head of an assessable unit. The Assessable Unit Manager certifies the results of required management control evaluations. The District Engineer is the Assessable Unit Manager for the Little Rock District.
6. Management Control Plan. The written plan that describes how required management control evaluations will be conducted over a five-year period.
7. Management Control Evaluation. A periodic, detailed assessment of key management controls to determine whether they are operating as intended. This assessment must be based on the actual testing of key management controls and must be supported by documentation.
8. Management Control Weakness. The absence or ineffectiveness of management controls (e.g., management controls are not in place, or are in place but not being used, or are in place and being used but are not effective).
9. Material Weakness. A management control weakness that warrants reporting to the next level of command, either for their action or for their awareness.