

## Management Controls Program Charter

### I. Purpose

An effective Management Controls program is comprised of two key elements: having adequate processes in place to assure all resources are safeguarded, and all risks are identified and mitigated if possible. For this purpose the definition of “resources” is necessarily broad and includes, but is not limited to, financial management, human resources management, program management, systems maintenance, information assurance, benefits, and facilities.

Effective Management Controls mean that an Agency or Activity is ready at all times to respond when called to action. Internal Controls are not one event but rather a series of events that occur on a daily basis to ensure an organization’s operations run smoothly with little risk of failure. Furthermore, Management Controls enable agencies and activities to shift focus and mission when requested with minimal stress on finances and operations.

This document provides formal guidance and information on the DHRA Field Activity-wide Management Control program. It is comprised of an annual Vulnerability Assessment exercise; Component participation in the Federal Manager’s Financial Integrity Assessment (FMFIA) Management Internal Controls Statement of Assurance roll-up; attendance at the yearly Management Internal Controls conference; promulgation of DHRA Headquarters Standard Operating Procedures as needed; hosting workshops and meetings for Component personnel; and conducting Component Resource and IMPAC audits.

DoDI 5010.40 Managers’ Internal Control (MIC) Program Procedures (January 4, 2006), defines Internal Control as the “organization, policies, and procedures that help program and financial managers to achieve results and safeguard the integrity of their [MIC] program.”

DHRA Headquarters develops and maintains overarching policies and procedures as needed to achieve identified goals and objectives and assure effective internal controls are in place. Internal information reporting requirements include work-year execution, end strength levels, funding execution, budgeting, and status reports pertaining to programs, projects, and infrastructure support efforts within the Field Activity.

The DHRA Management Control Program is designed to support the core values of the Field Activity as established in the 2005-2007 Strategic Plan. These core values include:

- Client Service and Satisfaction
- Budget and Performance Integration
- Strategic Workforce Planning

- Quality Assurance
- Improved Financial Management

## II. DoD Managers Internal Controls Program

The MIC Program is managed by the Under Secretary of Defense, Comptroller (USD(C)). The USD(C) has designated a Senior Assessment Team to maintain oversight of the program and ensure that DoD Internal Controls are aligned with the Office of Management and Budget (OMB) Circular No. A-123, "Management's Responsibility for Internal Control," August 5, 2005 and "Standards for Internal Control for the Federal Government," November 1999.

It is the responsibility of all DoD Components, Agencies, and Activities to establish a MIC program, assign internal control responsibilities to either civilian or military staff members, and maintain appropriate assessable units within the organization.

The goal of a successful MIC program is to elevate the successes of already established management structures rather than create new structures or processes just for the execution of the MIC program and/or MIC program report.

Each year all DoD Components, Agencies, and Activities are required to submit an Annual Statement of Assurance stating one of three issues based on the current status of the organization's internal controls:

- Unqualified Statement of Assurance – the organization has reasonable assurance that internal controls are in place and working. There are no material weaknesses to report.
- Qualified Statement of Assurance – the organization has reasonable assurance that internal controls are in place and working, with the exception of certain issues that have risen to the level of a material weakness.
- Statement of No Assurance – the organization has no reasonable assurance that any internal controls are in place and working.

## III. Assessable Units

DoDI 5010.40 defines an assessable unit as an "organizational subdivision and part of the total (Internal Control) IC organization that requires compliance with the MIC Program for a DoD Component." At a minimum, DHRA has defined assessable units as any DHRA "Component" office as well as any programs within each Component that has visibility in the DHRA budget submission. Component heads within the Field Activity may also identify, at any time, in writing additional assessable units that should be reviewed as an individual unit within the Management Control program. Assessable unit managers must have internal controls as part of their performance plan and be able to address internal controls in both DHRA annual requirements – the Vulnerability Assessments and Statement of Assurance.

DHRA utilizes a Vulnerability Assessment exercise to provide Components with an opportunity to determine each assessable unit's susceptibility to fraud, waste, and/or abuse of resources as well as the potential for not achieving management control objectives. Each DHRA Assessable Unit Manager must understand their assessable unit's internal control and management challenges and the definition of a material weakness in order to successfully complete the Vulnerability Assessment. The Vulnerability Assessment measures risk, the probability that an event or action may adversely affect the organization. Managers should evaluate and measure risk for consequence, likelihood of occurrence, cause, and the cost/benefit of lowering risk.

Vulnerability Assessments are to be completed by the program managers and a separate assessment is to be submitted for each assessable unit.

#### IV. Material Weaknesses and Reportable Conditions

A Material Weakness is a reportable condition that has become a significant enough problem to warrant being reported in the Component's Statement of Assurance. The Head of the DHRA Component office must make the decision as to whether a situation is indeed a Material Weakness or a Reportable Condition. The difference is at the degree of "control failure" involved.

A Reportable Condition is an issue identified at the Assessable Unit level that could potentially cause problems with a manager's ability to successfully manage internal controls but does not rise to the level of a Material Weakness. Components are encouraged to identify any reportable conditions that exist. Reportable conditions are identified in documentation that is reviewed internally at DHRA but not reported in the Statement of Assurance. The review is conducted by the Deputy Director DHRA.

Both Material Weaknesses and Reportable Conditions require corrective action. Reporting guidance for Material Weaknesses and corrective actions are detailed in the annual Statement of Assurance instructions. Reportable Conditions should be handled internally but managed by an assigned staff member to oversee execution of the program correction.

  
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