Memorandum

To: Department Management Control Coordinators

From: Theodore Woronka
                 Deputy Director, Office of Financial Management

Subject: FY 2003 Management Control Program Guidelines

This memorandum constitutes the Department's guidance for the FY 2003 Management Control Program, including the activities and time frames necessary to comply with the Federal Managers' Financial Integrity Act and OMB Circular A-123, Management Accountability and Control.

During FY 2003, the Management Control Program will again focus on how well bureaus are: managing and protecting resources; complying with laws and regulations; producing reliable program and financial information for decision-making; and, achieving stated program performance goals. There will be a renewed emphasis on holding managers accountable for the timely completion of material weakness corrective actions, particularly those material weaknesses reported in the FY 2002 Annual Accountability Report as targeted for completion in FY 2003. Monitoring and oversight activities for these material weaknesses will be accelerated to a monthly basis to eliminate corrective action slippage, to ensure that the Department achieves its GPRA performance goal for the program, and to improve Department and bureau performance related to the President's Management Agenda Financial Improvement Initiative Scorecard.

The following summarizes the significant elements of the FY 2003 program.

■   **FY 2003 Management Control Review Priorities**

Bureaus and offices should develop their management control review plans for FY 2003 based on management priorities and available resources, and ensure that planned reviews will provide a sufficient basis for their FY 2003 Annual Assurance Statement. In developing these plans, bureaus and offices should not use OIG and GAO program audits, and their independent financial statement audit, to account <u>for more than 50 percent</u> of total planned management control reviews. <u>Bureaus should transmit their management control review priorities to PFM for review and concurrence by December 16, 2002.</u> The plans should specifically identify the programs, organizations or functions to be reviewed, the time frame for each review, the responsible official for each review, the reviews to be conducted using the Department's

automated assessment approach, and the OIG and GAO program audits that will be used as alternative management control reviews. PFM will review bureau priorities, and offer recommendations for other assessments where appropriate. <u>PFM will provide written concurrence or other feedback on bureau FY 2003 management control review priorities within 10-days of receipt.</u>

Bureaus will again have discretion in determining which program and operational controls are to be assessed, the methods used to assess them, and the extent of assessment documentation. Bureaus must ensure that assessment documentation complies with current OMB and GAO standards<u>, and that copies of all final review reports are forwarded to and maintained in a central file by the bureau MCC</u>. PFM will examine a representative sample of final review reports to ensure compliance with Department, OMB and GAO standards. Bureau MCC's should advise PFM by e-mail when final review reports are available for inspection.

■　　　**Departmental Functional Reviews**

In order to comply with statutory requirements and OMB directives, the Office of Information Resources Management (PIR) and the Office of Acquisition and Property Management (PAM) will again conduct Departmental Functional Reviews (DFR's) for sensitive automated information systems, property, and acquisition management. <u>Guidance for conducting and reporting the results of these reviews will be distributed to bureau program coordinators and the MCC's by PIR and PAM representatives no later than December 31, 2001.</u> PFM will be conducting a DFR to measure bureau compliance with the revised GAO internal control standards issued in August 2001. This DFR was originally scheduled for FY 2002 but was postponed due to the internet shutdown. <u>Guidance for this DFR's will be issued by PFM no later than March 31, 2003</u>.

■　　　**Automated Management Control Assessments**

Bureaus are again encouraged to use the Department's automated assessment approach for FY 2003 management control reviews due to the demonstrated resource saving potential and other benefits associated with the approach. Gordon Horwitz (PFM) will be available to provide technical assistance to Bureau personnel in planning and conducting automated management control assessments, and using the internet software tool (Survey Tracker). As noted above, when reporting FY 2003 management control review priorities to PFM, bureaus are requested to identify which, if any, planned reviews will be conducted using the automated assessment approach.

■　　　**Monthly and Quarterly Status Report on Material Weakness Corrective Actions**

　　　1. Monthly Status Report

　　　The Assistant Secretary-PMB has recently directed PFM to implement a new monthly status reporting requirement for bureau FMFIA program material weaknesses targeted for correction in FY 2003. The goal is to ensure that slippage is eliminated and all corrective actions are completed in FY 2003 as planned. The new monthly status report will

summarize corrective action progress and any new developments. Bureaus will be expected to revise existing corrective action plans for these material weaknesses to include monthly milestones, and then report on an exception basis when monthly milestones are not met. An e-mail or written status report must be provided to PFM on or before the last work day of each month.

2. Quarterly Status Reports

In order to ensure the timely completion of other components of the FMFIA program and the achievement of unqualified annual assurance statements in FY 2003, PFM will continue to monitor bureau program progress on a quarterly basis. Bureaus will be required to provide electronic or written status reports on management control review progress, and corrective action progress for material weaknesses targeted for correction after FY 2003, within 15-days after the end of each calendar quarter beginning with the quarter ending December 31, 2002. The quarterly status report will be on an exception basis, and only management control reviews and material weakness corrective action milestones that are slipping or delayed shall be reported. A concise statement of the reasons for the slippage or delay, a revised target date, and a discussion of any alternative actions that can be taken should be reported.

Based on the quarterly progress information provided by the bureaus, PFM will prepare and forward a summary program progress report to the Assistant Secretary - Policy, Management and Budget (A/S-PMB) within 30 days after the end of each calendar quarter. Any further follow-up action on specific bureau Management Control Program issues will be at the discretion of the A/S-PMB.

■   **Validation of the Completion of Material Weakness Corrective Action Plans**

As in previous years, Bureaus shall determine the best means to verify the completion of material weakness corrective action plans. Bureaus will be expected to maintain appropriate supporting documentation for each corrective action plan in a central location for subsequent review and validation by the Department and or OIG staff.

■   **Mid-year Progress Meeting**

Bureau staff will be required to participate in a mid-year progress meeting with PMB and OIG staff in May 2003. The purpose of the meeting will be to review program status, discuss and resolve material weakness corrective action issues or other pertinent issues. Additional progress meetings may be scheduled as necessary by PFM.

■   **FY 2003 Annual Assurance Statement**

Each Bureau will be required to prepare and file an abbreviated Annual Assurance Statement for

FY 2003. The assurance statement should be addressed to the Assistant Secretary - Policy, Management and Budget, Attention: Office of Financial Management. A separate assurance statement from the cognizant Assistant Secretary is not required. A sample assurance statement is provided in Attachment 1 for your reference. Please note that the assurance statement must specifically list the management control reviews and OIG/GAO audits which are relied upon to form the basis for the conclusions in the assurance statement. The FY 2003 Annual Assurance Statement is due to the A/S-PMB on or before October 1, 2003.

■   **PFM Management Control Liaisons**

Management Control Program oversight responsibilities for the bureaus are assigned to specific PFM staff members. PFM has found this approach improves customer service by providing "a single point of contact" for all bureau management control issues. The PFM Management Control Program Liaisons for FY 2003 are as follows:

Water and Science Bureaus	Debbie Smith	(202-208-3250)
Fish and Wildlife and Parks Bureaus	Ted Cross	(202-208-5251)
Land and Minerals Management Bureaus	Gordon Horwitz	(202-208-7317)
Bureau of Indian Affairs and	Charlene Hutchinson	(202-208-3964)
Office of Insular Affairs		
Office of the Secretary /PMB Offices	Eddie Ray	(202-208-7954)
Office of the Special Trustee	Eric Eisenstein	(202-208-3417)

A Time Table of Scheduled Actions for the FY 2003 Management Control Program is provided in Attachment 2 for your reference.

We look forward to your cooperation and assistance as we fulfill the Department's Management Control Program responsibilities during FY 2003. If you have any additional questions, please contact me or Wayne Howard on (202) 208-4701.

Attachments

cc: Deputy Assistant Secretary - Budget and Finance
        Bureau and Office Directors
        Roger LaRouche, Assistant Inspector General for Audits
PFM\Chron\Subject

FY 2003 Management Control Program
Schedule of Key Actions

Action	Organization	Due Date
1. Issue FY 2003 Management Control Program Guidance	PFM	9/10/02
2. Report FY 2003 management control review priorities to PFM. (PFM to provide review recommendations and or concurrence within 10-days of receipt of bureau plans.)	Bureaus/Offices	12/16/02
3. Monthly Status Report on material weakness corrective actions to PFM	Bureaus	Last Working Day of the Month
4. Monthly Status Report to AS-PMB on material weaknesses scheduled for correction in FY 2003.	PFM	1st Working Day of the Month
5. Quarterly Status Report to PFM on FMFIA material weakness corrective action progress and management control reviews.	Bureaus/Offices	01/15/03 04/15/03 07/15/03
6. Quarterly Status Report on FMFIA Program to A/S-PMB	PFM	02/15/03 05/15/03 08/15/03
7. Conduct mid-year progress meeting with bureau, OIG and PMB staff	Bureaus/Offices PFM/PMB/OIG	05/12-16/03
8. Complete DFR on compliance with GAO management control standards	PFM	07/31/03
9. Complete all FY 2003 management control reviews and DFR's	Bureaus/Offices/PIR/ PAM	08/15/03
10. Submit FY 2003 Annual Assurance Statement to A/S-PMB	Bureaus/Offices SOL,OIG	10/1/03
11. FY 2003 bureau year-end issue resolution meetings	PFM,OIG Bureau MCCs	10/20-24/03

| 12. | FY 2003 Department Management Control and Audit Follow- up Council Year-end meeting | Assistant Secretaries, SOL,OIG | 11/05/03 |

Memorandum

To: Assistant Secretary - Policy, Management and Budget
                Attention: Office of Financial Management

Through: Assistant Secretary, _____

From: Bureau or Office

Subject: FY 2003 Annual Assurance Statement on Management Controls

The (bureau \office) has completed an assessment of its systems of management, administrative and financial controls in accordance with the standards, objectives and guidelines prescribed by the Federal Managers' Financial Integrity Act (FMFIA) and the Office of Management and Budget. The objectives of this assessment are to ensure that:

-       programs achieve their intended results;
-       resources are used consistent with agency mission;
-       resources are protected from waste, fraud, and mismanagement;
-       laws and regulations are followed; and,
-       reliable and timely information is maintained, reported, and used for decision-
        making.

In performing this assessment, the bureau\office relied on the knowledge and experience management has gained from the daily operation of its programs and systems of accounting and administrative controls, and information obtained from sources such as management control assessments, OIG and GAO audits, program evaluations/studies, audits of financial statements, and performance plans and reports. The following specific management control assessments conducted by the bureau, and audits and or reviews conducted by the OIG and or GAO were relied upon to support the conclusions expressed herein:

| | | **Results** |
| **Assessment /Audit** | **Date Completed** | **(material weakness or best practice)** |

        (List)

Based on the results of the FY 2003 assessment, I conclude that the (bureau\office's) systems of management, administrative and financial controls provide reasonable assurance that the objectives of the FMFIA have been achieved. I also conclude that the (bureau\office's) sensitive information systems provide (do not provide) reasonable assurance that the objectives of OMB's Circular A-130, Management of Federal Information Resources, have been achieved. Further, I

conclude that the (bureau\office's) financial systems generally conform (do not conform) with governmentwide standards and requirements.

The corrective action reports for material weaknesses and or accounting system non-conformance identified in the FY 2003 assessment, or carried over from the prior fiscal year, are attached. These reports identify the nature of the weakness or non--conformance, its cause and effect, appropriate milestones in the corrective action plan, progress to date, and the individual accountable for the timely completion of stated corrective actions. (If any material weakness corrective action plan targeted for completion in FY 2003 was not completed as planned, please report the reasons for the slippage and a summary of what actions remain.)The existence of these material weaknesses or accounting system non-conformance does not (does) prevent the (bureau\office) from providing reasonable assurance on the effectiveness of its management controls taken as a whole.

Attachment

cc: Assistant Inspector General for Audits