FACTOR	QUESTIONS	RESPONSE		COMMENTS
		YES	NO	
B. Delegation of Authority	1. Do delegations of authority			
	a. exist in writing?	x		
	b. clearly delineate duties and responsibilities?		x	There is some confusion regarding relationship and responsibilities of Support Center, FO and HQ staffs.
	c. prevent overlapping, duplication, and conflicts of duties and responsibilities?		x	
	d. grant sufficient authority to officials to carry out their responsibilities?	x		
	e. divide responsibility so that no single official controls all phases of a critical transaction?	x		
C. Policies and Procedures	1. Are policies and procedures			
	a. clearly stated in writing and systematically organized in manuals, handbooks, or other publications?		x	Some inconsistencies in applying procedures exist among units.
	b. systematically communicated throughout the organization?	x		
	c. consistent with applicable laws, regulations, and policies prescribed by higher levels?	x		
	d. simple and easy to understand?	x		
	e. structured to avoid overlap, confusion, conflict, or duplication?		x	Overlap of responsibilities/functions may exist. Confusion exists about relationship of requirements in REG-8 and FAM.
	f. revised and updated as necessary?	x		
	g. flexible enough to allow routine handling of unusual events?	x		
	h. structured to provide for adequate separation of duties?	x		

COMMENTS
ible relocation of functions may lead to revised
e employees expressed the need for additional g in grants area.

Bureau/Office Office of Surface Mining Component Grants Program

Responsible Official AD-RRP Date

NO.	IDENTIFIED CONTROL WEAKNESS	*TYPE S	*TYPE C	NO.	PLANNED CORRECTIVE ACTION	DATE SCHEDULED
2.	Comparison of planned versus actual grant accomplishments and expenditures is not generally documented in a written monitoring statement as required by FAM.		x	2.	Clarification will be provided at the Annual Grants Workshop to reinforce the guidance on the appropriate amount and extent of documentation.	9/30/91
3.	Review of program activities and results currently are required in two documents: the oversight process established in REG-8 and the grants programmatic monitoring required by FAM.	x		3.	A review will be conducted of REG-8 and FAM requirements to clarify the relationship between REG-8 and FAM.	6/30/92

* Indicate the type of weakness by checking the appropriate column.
S = A weakness in system design, i.e., necessary controls are lacking.
C = A weakness in complying with established controls.

Bureau/Office Office of Surface Mining Component Grants Program

Responsible Official AD-RRP Date

NO.	IDENTIFIED CONTROL WEAKNESS	*TYPE S	*TYPE C	NO.	PLANNED CORRECTIVE ACTION	DATE SCHEDULED
4.	The FAM prescribes that grants be closed within 90 days of receipt of a complete closeout package from the grantee. OSM has not established specific timeframes for completion of individual closeout actions by the Field Offices, Support Centers and Division of Financial Management.	x		4.	The FAM will be revised to provide specific timeframes for individual closeout actions.	3/31/92
5.	Tracking of grantee report due dates, by offices outside the Field Offices, is not being performed consistently and involves some duplication of effort.	x		5.	A review will be conducted to determine the most appropriate office to track and report due dates.	1/30/92

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Bureau/Office Office of Surface Mining Component Grants Program

Responsible Official AD-RRP Date

NO.	IDENTIFIED CONTROL WEAKNESS	*TYPE S	*TYPE C	NO.	PLANNED CORRECTIVE ACTION	DATE SCHEDULED
6.	There are no specific guidelines for the review of Field Office grant activities. Due to the recent OSM realignment, it is unclear what the content and extent of the function should be and which organizational unit should perform it. Review activities currently are being performed inconsistently by the Support Centers.	x		6.	a. A decision will be made clarifying this function and which organizational unit should perform it. b. FAM will be revised to provide specific guidelines.	3/31/92

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Bureau/Office Office of Surface Mining Component Grants Program

Responsible Official AD-RRP Date

NO.	IDENTIFIED CONTROL WEAKNESS	*TYPE S	*TYPE C	NO.	PLANNED CORRECTIVE ACTION	DATE SCHEDULED
7.	There are inconsistencies in Eastern and Western Support Center grants offices' operating procedures. These include, but are not limited to, review of Field Operations, policy, interpretation, training, tracking, and reporting.	x		7.	A review will be conducted to determine the extent and consequences of these inconsistencies. Appropriate measures will be taken.	5/31/92
8.	There are inconsistencies in Field Office procedures. This could create an environment in which disparate treatment of grantees is possible.	x		8.	A review will be conducted to determine the extent and consequences of these inconsistencies. Appropriate measures will be taken.	3/31/92
9.	Under the recent realignment, the roles and responsibilities of Headquarters and field units in support of the grants function is not clear.	x		9.	a. The roles and responsibilities of the Headquarters and field units involved in the grants process will be clarified.	3/31/92

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C = A weakness in complying with established controls.

Bureau/Office Office of Surface Mining Component Grants Program

Responsible Official AD-RRP Date

NO.	IDENTIFIED CONTROL WEAKNESS	*TYPE S	*TYPE C	NO.	PLANNED CORRECTIVE ACTION	DATE SCHEDULED
					b. FAM will be revised to provide specific guidance on the roles and responsibilities of all units involved in the grants process.	9/30/92

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S = A weakness in system design, i.e., necessary controls are lacking.
C = A weakness in complying with established controls.

Exhibit 9

S A M P L E

Memorandum

To: Chief, Management Controls Staff

From: Assistant Director, Reclamation and Regulatory Policy

Subject: Alternative Management Control Review of the Grants Program

An Alternative Management Control Review on the Grants Program for the Office of Surface Mining Reclamation and Enforcement (OSM) was conducted for FY 1991 in accordance with Departmental guidelines and OSM's Management Control Plan.

The review included sufficient analyses, tests, and evaluations to determine with reasonable assurance that the system in place is adequate. It disclosed some weaknesses, none of which are material weaknesses.* The weaknesses and the planned corrective actions are indicated in the attached summary report.

If you have any questions, please contact _____name_____ at __telephone number__.

Attachment

*Note: If the review discloses that the system is inadequate and material weaknesses are found, include a statement to that effect in this transmittal memorandum.

APPENDICES

Appendix A

LIST OF ACRONYMS AND ABBREVIATIONS

ADP	Automated Data Processing
AMCR	Alternative Management Control Review
ASCR	Accounting System Compliance Review
CATS	Corrective Action Tracking System
DOI	Department of the Interior
DFR	Departmentwide Functional Review
FMFIA	Federal Managers' Financial Integrity Act
GAO	General Accounting Office
ICICC	Internal Control Interagency Coordination Council*
MCAF	Management Control and Audit Follow-up Committee
MCC	Management Control Coordinator
MCP	Management Control Plan
MCR	Management Control Review
MCS	Management Controls Staff
METS	Management Evaluation Tracking System
OIG	Office of Inspector General
OMB	Office of Management and Budget
PCMI	President's Council on Management Improvement
PFM	Office of Financial Management
PMB	Assistant Secretary - Policy, Management and Budget - Chief Financial Officer
SOL	Office of the Solicitor

*Name changed to Management Control Coordination Council

Appendix B

DEFINITIONS

Accounting System Compliance Review (ASCR). Annual evaluation of accounting systems to determine compliance with the principles, standards and related requirements of the Comptroller General and the Core Financial System Requirements adopted by GAO, OMB and Treasury.

Alternative Management Control Reviews (AMCR). A control evaluation which encompasses the GAO control standards and concentrates on the highest risk areas of a component using the most effective and efficient means of reviewing the risks. Departmentwide functional reviews are one type of AMCR. Existing review processes which may be used as a basis for AMCR's include OMB Circular A-76 studies, computer security reviews, consulting studies, internal management reviews, and personnel reviews. Audits of controls by the GAO and the OIG may also be considered AMCR's depending on the scope of the audit.

Component. A major program, administrative activity, organization, or functional subdivision of a bureau or office that requires one or more separate systems of management control. Examples of program components are State Program Amendment Processing, Federal Reclamation Program, and Applicant/Violator System. Examples of administrative components are Acquisition Management, Travel, and Security.

Control Objectives. Established goals or standards which should be met to ensure that the component's mission and objectives are accomplished efficiently and effectively. Control objectives differ from overall component objectives in that they are directly related to the specific activities or processes necessary to accomplish the component's objectives.

Control Techniques. The management processes and documents necessary to accomplish control objectives or to reduce risks to acceptable levels.

Departmentwide Functional Reviews (DFR). Evaluations of functional activities generic to Bureaus and Offices. Examples of DFRs include Acquisition Management, Administrative Control of Funds, Computer Centers, Security and Travel. Evaluation guidelines are issued by the responsible Policy, Management and Budget office.

Documentation. Written policies and procedures, organization charts, manuals, memoranda, flow charts, completed questionnaires, records of interviews, computer software, and related written materials used to describe the management control methods and measures, to communicate responsibilities and authorities for operating management controls and to serve as a reference for independent third party review.

Event Cycle. A series of related steps that constitute a distinct and separate process or activity within a component. Each cycle helps fulfill the goals of the component, such as the planning or budgeting event cycle for any program component.

General Control Environment. Management's overall attitude concerning management controls.

Inherent Risk. Inherent potential for waste, loss, unauthorized use, or misappropriation due to the nature of an activity itself.

Management Control. Methods and measures of the Office of Surface Mining Reclamation and Enforcement (OSM) to assure efficient and effective accomplishment of its program objectives and to prevent loss by assuring the safeguarding of resources; the accuracy and reliability of information; adherence to applicable laws, regulations, and policies; and promotion of operational economy and efficiency.

Management Control Coordinator. The official designated by each bureau or Assistant Secretary to coordinate and facilitate compliance with the OMB Circular A-123 and relevant guidance issued by OMB, GAO, Office of Financial Management (PFM), and Office of Inspector General (OIG). In OSM, the Management Control Coordinator is a member of the Management Controls Staff, Office of the Deputy Director.

Management Control Plan (MCP). A written plan which summarizes a bureau's components and identifies the relative priority ranking of each component as high, medium or low. It establishes the type of management control evaluation, the year in which the evaluation is to be conducted and assigns responsibility for conducting the evaluation. The agency plan is developed by the Management Control and Audit Follow-up Committee and is approved by the Director and the Assistant Secretary. It is a five-year plan with annual updates to reflect changes in programs, organizations or functions, the progress of actions taken to improve controls, and any additional information on the status of control systems.

In addition, OPM-7, "Management Control Systems," dated December 7, 1992, requires Assistant Directors and Staff Office Heads to establish individual Management Control Plans.

Management Control and Audit Follow-up (MCAF) Committee. The MCAF Committee is chaired by the Deputy Director. Members include all Assistant Directors and the Budget Officer. The committee reviews and revises agency policy, establishes priorities in the correction and reporting of management control weaknesses, provides the linkage between the identification of material weaknesses and their funding in the budget, emphasizes the early warning potential of the management control process, and provides oversight on the management control review and reporting process.

Management Control Reviews (MCR). Evaluations of controls over all significant areas or activities of a component conducted in accordance with the control review methodology recommended in the Department's Guidelines for Conducting Management Control Reviews. MCR's are normally conducted as separate reviews since the evaluation methodology requires review of all high risk areas or activities.

Management Controls Staff (MCS). The MCS has the responsibility for ensuring that the planning, testing, documentation, and reporting of the management control reviews are performed in accordance with Departmental and OSM requirements and guidance.

Material Weakness. A specific instance of noncompliance with the FMFIA of sufficient importance to be reported to the President and Congress. Such weakness significantly impairs the fulfillment of an agency component's mission; deprives the public of needed services; violates statutory or regulatory requirements; significantly weakens safeguards against waste, loss, unauthorized use or misappropriation of funds, property, or other assets; or results in a conflict of interest. DOI criteria for determining material weaknesses include: (1) conditions that lead to loss of life or personal injury, (2) conditions that lead to loss or damage to a significant natural, biological, cultural or historical resource, (3) financial losses or waste of resources in excess of the lesser of $10 million or five percent of component's resources, (4) conditions that could threaten successful program completion and (5) conditions that could cause embarrassment to the Secretary or senior officials.

Quarterly Corrective Action Tracking System Reports on status of completion of corrective actions for identified **material** weaknesses are required by the Department.

Reasonable Assurance. A judgment by an agency head based upon all available information that a satisfactory level of confidence exists to achieve program objectives effectively and efficiently and to safeguard government resources. The emphasis is on the term "reasonable," since "absolute" assurance can never be given for any process.

Risk Assessment. A documented judgmental review by the MCAF of the susceptibility of all components to waste, loss, unauthorized use, or misappropriation. As a result each component is given a high, medium or low priority rating.

Testing. Procedures to determine whether management control systems are working in accordance with established objectives. Testing may include: document analysis, transaction testing, interview, and observation.

Appendix C

BLANK FORMS

WORKSHEET FOR
ANALYSIS OF GENERAL CONTROL ENVIRONMENT
COMPONENT - _____

FY____

FACTOR	QUESTIONS	RESPONSE		COMMENTS
		YES	NO	
A. Organization	1. Does/do the organizational unit(s) operating the component have a. clearly written goals and objectives? b. authority and responsibility to pursue the goals and objectives?			
	2. Is/are the organization unit(s) operating the component a. sufficiently flexible to accommodate changes? b. held accountable for resources entrusted to it? c. held accountable for the results of its operations?			

FACTOR	QUESTIONS	RESPONSE		COMMENTS
		YES	NO	
B. Delegation of Authority	1. Do delegations of authority a. exist in writing? b. clearly delineate duties and responsibilities? c. prevent overlapping, duplication, and conflicts of duties and responsibilities? d. grant sufficient authority to officials to carry out their responsibilities? e. divide responsibility so that no single official controls all phases of a critical transaction?			
C. Policies and Procedures	1. Are policies and procedures a. clearly stated in writing and systematically organized in manuals, handbooks, or other publications? b. systematically communicated throughout the organization? c. consistent with applicable laws, regulations, and policies prescribed by higher levels? d. simple and easy to understand? e. structured to avoid overlap, confusion, conflict, or duplication? f. revised and updated as necessary? g. flexible enough to allow routine handling of unusual events? h. structured to provide for adequate separation of duties?			

FACTOR	QUESTIONS	RESPONSE		COMMENTS
		YES	NO	
D. Personnel	1. Do personnel practices include a. a code of conduct? b. provisions for conflict of interest disclosures? c. accurate and up-to-date position descriptions? d. accurate and up-to-date performance descriptions? e. periodic performance review (appraisal) of all employees? f. a reward system based on performance? g. sufficient training opportunities to improve competency and update employees on new policies and procedures?			
E. Planning, Budgeting, and Accounting	1. Is there a long-range planning process?			
	2. Is the budgeting system integrated with the planning process?			
	3. Is the accounting system integrated with the budgeting system?			
	4. Are plans and budgets effectively communicated throughout the organization?			
	5. Does the approved budget become the operating plan and the standard against which performance can be measured?			

FACTOR	QUESTIONS	RESPONSE		COMMENTS
		YES	NO	
	6. Are there clearly established levels of operational and financial accountability?			
F. Reporting	1. Are reports made in accordance with assigned responsibilities?			
	2. Are individuals or units required to report only on those matters within their control?			
	3. Do progress or performance reports show comparisons with a. planned performance? b. budget allowances? c. past performance?			
	4. Are reports a. relevant? b. timely? c. accurate? d. distributed to appropriate levels?			

SUMMARY OF
ANALYSIS OF GENERAL CONTROL ENVIRONMENT
COMPONENT - _____
FY ____

FACTORS	ANALYSIS		COMMENTS
	SATISFACTORY	UNSATISFACTORY	
A. Organization			
B. Delegation of Authority			
C. Policies and Procedures			
D. Personnel			
E. Planning, Budgeting, and Accounting			
F. Reporting			

ALTERNATIVE MANAGEMENT CONTROL REVIEW

WORKSHEET FOR DOCUMENTATION OF EVENT CYCLES, RISKS, CONTROL OBJECTIVES AND CONTROL TECHNIQUES

Component:_____

EVENT CYCLES	Rating	RISKS	CONTROL OBJECTIVES	CONTROL TECHNIQUES

IDENTIFYING RISKS

COMPONENT - _____

What is the component's objective?

WHAT COULD GO WRONG?	CHANCE			IMPACT		
	HIGH	MED	LOW	HIGH	MED	LOW
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						

TEST PLAN

OBJECTIVE	DOC. ANALY-SIS	INTER-VIEW	OBSER-VA-TION	OTHER	ACTION

CONTROL EVALUATION REPORT

Bureau/Office _____ Component _____

Responsible Official _____ Date _____

NO.	IDENTIFIED CONTROL WEAKNESS	*TYPE S	*TYPE C	NO.	PLANNED CORRECTIVE ACTION	DATE SCHEDULED

* Indicate the type of weakness by checking the appropriate column.
  S = A weakness in system design, i.e., necessary controls are lacking.
  C = A weakness in complying with established controls.