

# Department of the Interior Departmental Manual

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**Effective Date:** 8/2/04

**Series:** Financial Management

**Part 340:** Management Accountability and Control

**Chapter 1:** General Policy and Responsibilities

**Originating Office:** Office of Financial Management

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## 340 DM 1

### 1.1 Purpose.

A. This Chapter provides Department of Interior (DOI) policy and responsibility for bureaus and offices in complying with the Federal Managers' Financial Integrity Act of 1982 (FMFIA) (P.L. 97-255 (31 U.S.C. Secs. 1105, 1106, 1108, 1113, 3512))

<http://www.ustreas.gov/offices/management/dcfo/management-controls/fmfia-legislation.pdf>.

This policy is designed to assist bureaus and offices in improving the accountability and effectiveness of their programs and operations management controls. The major focus of the policy is the establishment, assessment, correction, and reporting on management controls. The procedure to implement this policy is contained in the Management Control and Audit Follow-up Handbook at <http://www.doi.gov/pfm/mgmtcont.html>. Bureaus have the discretion, where necessary, to supplement this policy guidance by developing additional bureau-specific instructions for use within the bureau.

B. Policy provided in this Chapter is intended to serve as a general framework for the Department's Management Control Program for which the Office of Financial Management (PFM) will periodically issue additional specific guidance.

1.2 **Scope.** All bureaus and offices with program and functional activities are to comply with this policy, except offices whose primary function is the issuance of policy. Instruction for administrative control of funds is contained 328 DM 1-3.

### 1.3 Authority and Background.

A. The Congress, Office of Management and Budget (OMB), and General Accounting Office (GAO) have directed attention to the need for agencies to establish and maintain sound management control systems as a primary means of providing greater accountability, effectiveness and efficiency in achieving program goals and objectives and in preventing fraud, waste, and mismanagement. As a part of daily program and operational management, the Department promotes the continuous monitoring of management controls. This monitoring will facilitate the strengthening of management accountability, as well as the enhancement and improvement of program performance and operations.

B. The FMFIA and OMB Circular A-123 at <http://www.omb.gov> require the agency head to conduct an ongoing review process of controls and to report annually on the adequacy of agency management and accounting control systems. Under authority provided by the Government Management Reform Act of 1994 (GMRA) (P.L. 103-356) (31 U.S.C. Sec 101, et seq.) <http://www.thecre.com/fedlaw/legal1/s2170.htm>, the Department's annual assurance on compliance with the FMFIA is incorporated into the Department's Performance and Accountability Report. The Chief Financial Officers (CFO) Act [http://www.gao.gov/policy/12\\_19\\_4.pdf](http://www.gao.gov/policy/12_19_4.pdf) and Government Performance and Results Act (GPRA) <http://www.whitehouse.gov/omb/mgmt-gpra/gplaw2m.html> reinforce the need for effective management controls. These Acts also call for the development of program performance indicators to monitor management's success in reaching program goals and desired outcomes. Department managers are to establish environments where management controls are understood, encouraged, practiced, and implemented.

C. **Authority.** The basic authority for establishing and maintaining agency controls is vested in the Accounting and Auditing Act of 1950 (31 U.S.C. 3512), as amended by the FMFIA. Section 113 of the Accounting and Auditing Act of 1950) [http://uscode.house.gov/title\\_31.htm](http://uscode.house.gov/title_31.htm) requires the head of each agency to establish and maintain systems of management controls for all agency programs, organizations, and functions. The Act also stipulates that accounting systems should conform to Federal accounting standards and related requirements. The CFO Act identifies management control related activities as a primary responsibility of the Department's CFO. The following four statutes, two OMB Circulars, and GAO Internal Control Standards were used to prepare this policy:

(1) Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255 (31 U.S.C. Secs. 1105, 1106, 1108, 1113, 3512)) at <http://www.ustreas.gov/offices/management/dcfo/management-controls/fmfia-legislation.pdf>.

(2) Chief Financial Officers Act of 1990, (P.L. 101-576 (31 U.S.C. Sec. 501; et seq.)) [http://www.gao.gov/policy/12\\_19\\_4.pdf](http://www.gao.gov/policy/12_19_4.pdf)

(3) Government Performance and Results Act of 1993, (P.L. 103-62 (5 U.S.C. Sec. 306) (31 U.S.C. Secs 1115-1119) (39 U.S.C. 2801-2805) <http://www.whitehouse.gov/omb/mgmt-gpra/gplaw2m.html>

(4) Federal Financial Management Improvement Act of 1996 (FFMIA), (P.L. 104-208 (31 U.S.C. Sec. 801. et seq.)) <http://www.dfas.mil/technology/pal/regs/ffmia.doc>.

(5) OMB Circular A-123 Revised, Management Accountability and Control, <http://www.whitehouse.gov/omb/circulars/a123/a123.html>

(6) OMB Circular A-127 Financial Management Systems, <http://www.whitehouse.gov/omb/circulars/a127/a127.html>

#### 1.4 Policy.

A. General. Bureaus will establish, maintain, evaluate, improve, and report on their systems of program and operational controls. These systems of control should constitute the full range of controls necessary to assist managers in reaching program goals and objectives, and in using Government resources efficiently and effectively. All levels of management will involve themselves in assuring the effectiveness and adequacy of controls. Also, all systems of management and accounting controls will be evaluated on an ongoing basis, and deficiencies, when detected, will be promptly corrected. The results of evaluations must be documented, maintained and made available upon request to the Office of Inspector General (OIG), GAO or the Office of Financial Management (PFM). The procedure to implement this policy is contained in the **Management Control and Audit Follow-up Handbook** available at [www.doi.gov/pfm/mac/2003/mgmt\\_control\\_handbook.pdf](http://www.doi.gov/pfm/mac/2003/mgmt_control_handbook.pdf).

B. Control Environment. Each bureau should establish a control-conscious environment. This environment should provide a disciplined atmosphere in which managers are aware of the need to establish systematic controls, monitor their application, and review periodically their effectiveness. The control environment should encourage employee awareness of the existence of controls and their individual responsibilities in the development and implementation of controls.

## 1.5 Responsibilities.

A. DOI Managers. All managers directing or controlling resources within the Department are responsible for establishing, maintaining, evaluating, improving, and reporting on controls for their assigned areas. Effective execution of management controls requires the utmost coordination and cooperation from all segments of the Department.

B. Management Control and Audit Follow-up Council.

(1) The Department's Management Control and Audit Follow-up Council (Council) comprised of the Assistant Secretary - Policy, Management and Budget/Chief Financial Officer (Chair), Inspector General (ex officio), Solicitor, and Program Assistant Secretaries, is responsible for the following:

- (a) overseeing Departmental FMFIA policy and reporting processes,
- (b) establishing priorities in the correction and reporting of program and operational material weaknesses and accounting material non-conformances (a material deviation in accounting system design or operation from accepted accounting standards).
- (c) ensuring that appropriate funding for correction of the identified material weaknesses and material non-conformances is requested in the budget process, and
- (d) emphasizing the early warning of potential management control deficiencies.

(2) The Council meets periodically (usually semiannually) with bureau and office heads to discuss their respective management control program and plans, identification and correction of program and operational material weaknesses and accounting non-conformances.

C. The Assistant Secretary - Policy, Management and Budget/CFO has the primary responsibility for managing the Department's compliance with OMB Circulars A-123 and A-127, the FMFIA, the CFO Act, the FFMIA, and the GPRA.

D. The Office of Financial Management (PFM) is responsible for: (a) providing staff assistance to the Council; (b) recommending management control policies and procedures; (c) providing oversight and guidance to the bureaus concerning the review, evaluation, and maintenance of effective controls; (d) managing, directing, and evaluating the Department's reporting under OMB Circulars A-123 and A-127, the FMFIA, the FFMIA, and the CFO Act.

E. The Office of Acquisition and Property Management (PAM) is responsible for developing and issuing control evaluation guidelines for the acquisition, Federal assistance and property management functional areas; assessing the results of bureau control evaluations in these areas; and providing to PFM annually a summary assessment of the adequacy of bureau controls in these functional areas. PAM is also responsible for overseeing, monitoring, and assessing and recommending for approval to PFM the completion of bureau corrective action plans addressing acquisition and property management material weaknesses.

F. The Office of the Chief Information Officer (OCIO) is responsible for developing and issuing control evaluation guidelines for conducting reviews of information technology general support systems and major applications; assessing the results of bureau control evaluations in these areas; and providing to PFM annually a summary assessment of the adequacy of bureau controls in these areas.

G. The Department's Office of Environmental Policy and Compliance, Office of Human Resources, Office of Civil Rights, Office of Budget, and PFM are responsible for issuing guidance to assist bureaus in conducting control evaluations of their respective functional areas.

H. The Office of Planning and Performance Management (PPP) is responsible for developing and issuing guidelines on the preparation of strategic plans, annual performance plans, and annual performance reports. Guidelines include using management control reviews to fulfill GPRA requirements for program evaluations and data verification and validation. PPP also is responsible for review and clearance of GPRA documents prior to publication, and collaborates with PFM on the selection of GPRA goals and measures for the accountability report.

I. The Office of Inspector General (OIG) is responsible for performing routine evaluations of management controls within the scope of internal audits, as part of the OIG overall program of audits and investigations, and reporting the results in its audit reports. In addition, the OIG annually reviews bureaus' administrative and accounting controls as part of its financial statement audits.

J. The Solicitor (SOL), Inspector General, and Program Assistant Secretaries. The Department's Council has proven to be an effective oversight forum for addressing and resolving management control and audit follow-up program issues. The SOL, OIG, and Program Assistant Secretaries are encouraged to establish similar management control and audit follow-up councils or oversight groups in their respective offices to coordinate and monitor the management control and audit follow-up programs. Such councils or oversight groups at a minimum should be responsible for: (1) institutionalizing the management control process within their organizations, (2) establishing priorities in identifying, correcting and reporting of management control material weaknesses and accounting non-conformances, (3) ensuring that funding to correct identified deficiencies is requested in the budget process, and (4) establishing a quality assurance process that permits the responsible official to provide reasonable assurance to the Secretary of the Interior (Secretary) that the objectives of the FMFIA are being achieved.

K. Bureau Heads. Bureau heads and/or senior-level management officials are responsible for establishing and maintaining the system of management control within their bureaus. This includes determining that the system of control is consistent with standards prescribed in OMB Circular A-123, which are drawn in large part from GAO's Standards for Internal Control in the Federal Government. This also includes determining that the systems of control are functioning as intended; properly documented, modifying the control systems, as appropriate, for changes required; and ensuring that the type, number and quality of control evaluations conducted are sufficient to provide assurance in disclosing the existence of any management control weakness and/or accounting systems non-conformance. Bureau heads are also responsible for:

- (1) determining on an annual basis which programs or administrative functions should be subject to a formal review in order to supplement management's judgment as to the adequacy of management controls;
- (2) allocating adequate resources to evaluate their systems of control;
- (3) developing detailed procedures, documentation, training, and reporting requirements necessary to review, establish, maintain, test, improve, and report on control systems within their bureau programs and operations;
- (4) reporting to the Council, in consultation with their Assistant Secretary, management control deficiencies identified in audit reports, internal reviews, and from other sources that have the potential of meeting the Departmental material weakness criteria;
- (5) ensuring timely correction and validation of all identified program and operational deficiencies whether material and/or nonmaterial; and
- (6) ensuring management control guidelines issued by PAM, OCIO, and other Departmental offices are implemented.

Bureau heads should also specify employee accountability. Program specific management control elements and standards are to be included in all managers' performance evaluations.

L. **Program and Other Managers.** These management officials are responsible for the establishment and evaluation of management controls within their respective assigned program(s) or operational area(s).

M. **Management Control Coordinators.** Management control coordinators (MCCs) are the individuals designated by each bureau head or Assistant Secretary to coordinate and facilitate compliance with the FMFIA and relevant guidance issued by PFM, PAM and OCIO. Each bureau MCC or alternate is responsible for coordinating and directing the bureau control evaluation process, advising the bureau head on the operation of the bureau's management control program, the status of planned actions to correct deficiencies, and ensuring adherence to the Departmental management control program guidance. Bureau MCCs also have the discretion to develop any supplemental procedures required to evaluate the effectiveness of bureau control systems and to validate the completion of corrective actions through testing or other means.

1.6 **Dissemination of Information.** PFM's home-page for Management Accountability and Control includes (1) a current year schedule of management control program key action dates, (2) current year guidelines, and (3) management control summary information from the Department's Accountability Report such as a listing of open material weaknesses and material accounting non-conformances, and scheduled completion dates. This information is updated periodically. The web site address for accessing the PFM's home-page is [www.doi.gov/pfm](http://www.doi.gov/pfm).

1.7 **Reporting.** Refer to the **Management Control and Audit Follow-Up Handbook**, Chapter 7 at [http://www.doi.gov/pfm/mac/2003/mgmt\\_control\\_handbook.pdf](http://www.doi.gov/pfm/mac/2003/mgmt_control_handbook.pdf) for FMFIA and other reporting requirements.

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