



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

FEB 27 2014

Memorandum

To: Heads of Bureaus and Offices
Attention: Bureau Assistant Directors - Administration
Director, Interior Business Center

From: Debra E. Sonderman, Director *Debra E. Sonderman*
Office of Acquisition and Property Management

Subject: Fiscal Year (FY) 2014 Internal Control Review Guidance for
Acquisition, Financial Assistance and Property Management
Responses Due: April 11, 2014 and September 30, 2014

This memorandum transmits the Department of the Interior (DOI) guidance for the FY 2014 internal control program for acquisition, financial assistance and property management. The guidance includes activities and timeframes necessary to comply with the Federal Managers' Financial Integrity Act (FMFIA); Office of Management and Budget Circular A-123, *Management's Responsibility for Internal Control*; and the Government Accountability Office (GAO) *Framework for Assessing the Acquisition Function at Federal Agencies*.

Fiscal Year 2014 internal control review plans are due to my office on **April 11, 2014**. Annual internal control assessment reports and assurance statements are due to my office no later than **September 30, 2014**. Extensions will not be granted.

The DOI internal control program is risk-based. Bureaus are required to assess risk in a consistent manner using automated risk assessment tools which include evaluating and summarizing the results using standardized templates. Narrative reports will not be accepted. Internal control reviews should focus primarily on areas determined to be high risk. Bureaus must identify actions to systematically correct deficiencies (risk mitigation strategies, identified in Corrective Action Plans).

Internal control activities should be carried out as part of a cycle of assessing the risks associated with each functional area and the processes involved in carrying out the function; identifying controls to mitigate risks; and testing those controls to ensure they are working effectively. The internal control cycle is comprised of the following:

Planning:

- Preparing an inventory of functional areas and the key processes that make up those functions.
- Documenting risks associated with the functional areas/processes and the controls in place to mitigate risks. Include any OIG or GAO reports issued during the year and unresolved OIG or GAO recommendations as risk factors.
- Evaluating the key processes and controls and determining the level of risk associated with each.
- Utilizing the results to create your annual risk-based internal control review plan.

Testing Operating and Process-Level Controls:

- Performing control assessments and internal control reviews.
- Documenting the effectiveness of controls.

Concluding, Correcting and Reporting:

- Documenting conclusions on control effectiveness, suitability of compensating controls and whether any control gap is a material weakness.
- Preparing and tracking Corrective Action Plans as necessary.
- Preparing the annual Statement of Assurance on Internal Controls.

Bureaus are required to submit the following deliverables:

- An internal control review plan;
- An annual internal control assessment report;
- A Corrective Action Plan (as applicable); and
- An assurance statement.

Acquisition reviews will be conducted using the standard Acquisition Review Templates. The templates are pre-populated with evaluation criteria for risk assessments and process-level control tests that are aligned with the *GAO Framework for Assessing the Acquisition Function at Federal Agencies*. The templates have been reviewed and updated collaboratively by the DOI Acquisition Managers' Partnership, and have been distributed to the Bureau Procurement Chiefs.

To complete the Acquisition Internal Control Process:

Internal Control Plan:

1. Conduct the Risk Assessment using the Acquisition Template.
2. Evaluate the results and develop your 2014 internal control strategy based on risk.
3. Submit an internal control plan that reflects those results to PAM by April 11, 2014.

Internal Control Review:

1. Complete the Acquisition Review Templates.
2. Evaluate the results and document corrective actions taken or develop Corrective Action Plans to address any weaknesses found.
3. Submit the completed templates and Corrective Action Plans, as appropriate, along with the signed Statement of Assurance, to PAM by September 30, 2014.

Financial Assistance and Personal Property Management reviews will be completed using the attached templates. The Financial Assistance template (Attachment 1) provides a targeted review for the area of Financial Assistance Cost Reviews. The Property Management template (Attachment 2) provides a targeted review in the areas of Policy Compliance and FBMS Data Quality for Personal Property and Fleet.

To complete the Financial Assistance and Personal Property Internal Control Review Processes:

Internal Control Plan:

1. Complete Columns B through G of the Risk Analysis Form tab on each of the attached spreadsheets.
2. Submit the completed Risk Analysis Tab to PAM, with a short cover memorandum identifying the locations and/or functional areas to be reviewed based on the risk results, by April 11, 2014.

Internal Control Review:

1. Transfer the information used to populate Columns B through G in the Risk Analysis Tab to the Control Matrix Tab of the attached spreadsheets, and complete Columns B through I.
2. Conduct internal control reviews and document the results in Columns J through O of the Control Matrix Tab.
3. Evaluate the results and document corrective actions taken or develop Corrective Action Plans to address any weaknesses found.
4. Submit the completed Control Matrix Tab, Corrective Action Plans, as appropriate, and the signed Statement of Assurance to PAM by September 30, 2014.

Please submit your 2014 internal control plans and internal control assessment reports and assurance statements to Kathy Bender of PAM, at Kathryn_L_Bender@ios.doi.gov, no later than the due dates. Final 2014 internal control reports must be coordinated with the bureau Internal Control Coordinators and signed by the respective bureau Assistant Directors - Administration, or equivalent, prior to submission to PAM by September 30, 2014. Final internal control assessment reports must also include documentation of corrective actions taken, or to be implemented (if applicable), to correct weaknesses found during the review process.

If additional information is required, your staff may contact your bureau or office Internal Control Coordinator or Kathy Bender, PAM, at (202) 513-0693 or by e-mail at Kathryn_L_Bender@ios.doi.gov.

Attachments:

- 1 – Financial Assistance Targeted Review Template
- 2 – Personal Property Targeted Review Template

cc: Director, Office of Financial Management
(Attention: Branch of Internal Control and Audit Follow-up)
Bureau/Office Internal Control Coordinators
Acquisition Managers' Partnership
Property Management Partnership
Financial Assistance Communication Liaisons
Office of the Chief Information Officer