



Chief Information Officer Managers' Internal Control Program



INFORMATION BULLETIN

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Special Message:

Thank you!

We appreciate the support of all who participated in the survey regarding the Information Bulletin. The bulletin was rated as satisfactory or better by 98% of all respondents. The breakdown is as follows: Satisfactory - 39%, Highly Satisfactory - 59%.



*"Celebrate changes—
in season and in time."*

"It is easy to dodge our responsibilities — but we cannot dodge the consequences of dodging our responsibilities."

PRIDE - Organizational Values

PROFESSIONALISM How you present yourself and your work determines whether you are perceived as a professional. Professionals exhibit self control of behavior and are governed by a code of ethics. Professionals take pride in the quality of their work.

RESPECT A hallmark of respect is having esteem for the inherent, intangible worth of individuals. Taking into consideration the thoughts, feelings, and needs of others is a means of demonstrating respect.

INTEGRITY Integrity is always doing the right thing, even when you are certain no one is looking. A person with integrity generates trust and respect.

DEDICATION A dedicated employee exhibits commitment to the organization's mission and a willingness to do what needs to be done to accomplish that mission.

EXCELLENCE Excellence is a goal to be pursued. It means adhering to high standards of quality, both in performance and outcome. Excellence is most likely to be achieved when **PRIDE** is exercised.

"PRIDE is a personal commitment. It is an attitude which separates excellence from mediocrity."

Accountability Is Everyone's Responsibility

Internal controls are how management demonstrates its accountability. Accountability is important in all activities of an organization. **At management level**, accountability means accepting responsibility for activities

and being answerable for those activities, either implicitly, or by specific agreement. Managers are expected to maintain a productive, cost effective, accountable environment in support of mission. Internal controls are important

tools in maintaining such an environment. Keeping internal policies and standard operating procedures (SOPs) clearly written and up-to-date promotes accountability by providing guidance. Accurate organi-

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Accountability Is Everyone's Responsibility *cont'd*

zation flow charts promote accountability by delineating areas of responsibility and lines of communication. Good record keeping procedures promote accountability by facilitating tracking of assets, such as computers, monitors, software and other easily moved items.

Lack of accountability costs money. Some estimates of annual loss range in the billions of dollars. Accountability can reduce the frequency and severity of loss, whether it is actual loss of assets, or less obvious loss from duplication of effort, rework, or inefficiency. Accountability may even



prevent some losses all together.

For individuals, accountability means assuming personal responsibility for meeting goals and benchmarks by taking ownership of **actions and results**. Striving for excellence, striving for constant improvement, and learning from failure are characteristics of individuals who take personal responsibility or ownership of their work. Finding excuses, or trying to shift blame, is typical of individuals who do not take personal responsibility for their actions. When actions do not produce expected results, taking ownership is obviously more difficult. However, taking ownership of less

than fully successful actions enables improvement. Then the statement can be made, "This didn't work as expected. What can we do to fix or improve the process?" That behavior strengthens the individual, the group, and the organization. Furthermore, it makes learning from experience and applying lessons learned easier.

Whether as a manager, an individual employee, or member of a group or team, taking ownership is the foundation of accountability. At every level, accountability is a building block for achieving success.



Monitoring - A Closer Look At Internal Controls

According to the Government Accountability Office guidance, *Standards for Internal Control*, **"Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations."**

Monitoring is assessing the effectiveness and efficiency of internal controls, over time. Effective and efficient monitoring of internal controls is best achieved when management sets the tone.

Monitoring has multiple purposes. It helps ensure that the findings of audits and other reviews are appropriately resolved. Monitoring assesses the quality of internal controls, helping to identify poorly designed or ineffective controls. Additionally, it helps ensure that internal controls are carried out properly and in a timely manner.

For instance, monitoring the effectiveness of standard operating procedures (SOPs) helps ensure consistent quality of product or output. Monitoring compliance with SOPs helps prevent deterioration over time, which may allow risk to occur. Most internal control failures happen in small increments, eventually adding up to a serious or potentially serious breakdown. Monitoring is a primary means of detecting internal control failures early, before a breakdown occurs. Finally, monitoring provides managers with background knowledge that facilitates performing tasks such as risk assessments and self assessment reviews. Are the controls working?



Are they sufficient?
Are they efficient and cost effective? These are typical questions that monitoring helps answer.

Deciding which internal controls should be monitored is the man-

ager's choice; however, identified weaknesses and corrective actions are activities which should be monitored. A manager may also choose to monitor activities that inherently have high risk. The choices should be influenced by the degree of vulnerability and consequences of risk.

There are many possible ways to perform monitoring. A manager must decide which works best in his/her situation. Different activities may require different monitoring techniques. Observation, interview, spot checking, and sampling are all means of monitoring internal controls. The important thing is that monitoring takes place. **Internal controls are not self-correcting.**

"Unmonitored controls tend to deteriorate over time." ~ COSO

Common Access Cards - Tools For Theft

On August 25, 2009, a former Department of Defense (DoD) contractor was sentenced to three years in prison for participating in a scheme to steal 10 million gallons of fuel, worth approximately \$38.9 million, from the U.S. Army in Iraq between July 2007 and May 2008. In a guilty plea entered earlier, William Dubois admitted to using false documents to obtain aviation and other diesel fuel for sale on the black market. Dubois and his



co-conspirators hired approximately 10 individuals to act as drivers and escorts for the trucks used to transport the stolen fuel. These individuals were able to access the fuel depot by using government-issued Common Access Cards which Dubois obtained by falsely representing the individuals as employees of a DoD contractor. Dubois has repaid the gov-



ernment \$450 thousand, his alleged profit from the scheme. He also testified in the trial of a co-conspirator. That co-conspirator has been convicted. Two others, one a former Army Captain, have pleaded guilty. All three are to be sentenced individually, over the next 3 months. For more information, please see USDOJ document #09-864 at www.USDOJ.gov.

Assessable Unit Managers' Corner

With a new fiscal year beginning, the MIC Program Office would like to remind all **Assessable Unit (AU) Managers** of upcoming internal control activities.



FY 2010 MIC Program Activities Schedule

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| 1. Review/Update Assessable Units | Oct. - Nov. |
| 2. Annual MIC Program Training | Oct. - Dec. |
| 3. Revalidate/Perform Risk Assessments | Nov. - Dec. |
| 4. Conduct Internal Control Reviews | Dec. - Feb. |
| 5. Prepare Annual Statement of Assurance | Feb. - May |

Audit Reviews Highlight Internal Control

In a July 2009 report, GAO stated that significant improvements are needed in DoD efforts to address improper payment and recovery auditing **procedures**, in particular, the performance of **risk assessments** and estimation of improper payments for commercial pay. In Fiscal Year 2007, DoD failed to perform risk assessments on approximately 39% (\$322 Billion) of agency outlays. GAO also found that estimation of improper payments had not been performed on the single largest payment activity - commercial pay. It also found that the Office of the Comptroller's oversight and monitoring activities were inadequate because they did not include verifying the accuracy and completeness of the information in the agency's financial report. In addition, GAO found that DoD's processes for identifying and recovering commercial overpayments were inadequate. They were designed to ensure administrative requirements were met rather than to specifically identify contract overpayments. To read more about this report (GAO 09-442), please visit <http://www.gao.gov/new.items/d09442.pdf>.

According to a GAO report released in September 2009, the Navy has **largely implemented effective controls** on Enterprise Resource Planning associated with system testing and change control. However, improvements are still needed. Important aspects of test management and change control have not been fully implemented. To Navy's credit, steps have been taken recently to address this, thereby reducing the risk of unauthorized changes or errors regarding defect status. GAO also found that while system change review and approval procedures include considering the impact of a change, randomly selected change requests showed no evidence that cost and schedule impacts were considered. In addition, the Navy has not effectively managed its Independent Verification & Validation (IV&V) activities. In particular, the Navy has not ensured that the IV&V contractor is independent of the products and processes that it is reviewing. To read more about this report (GAO 09-841), please visit <http://www.gao.gov/new.items/d09841.pdf>.



“Unless commitment is made, there are only promises and hopes; but no plans and no achievements.”