



Information Management, Technology & Reengineering and Joint Medical Information Systems Office Management Control Program



INFORMATION BULLETIN

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Special Message:

The Fiscal Year 2005 IMT&R/JMIS Annual Statement of Assurance was submitted on June 6, 2005. A special thanks goes out to all the IMT&R Directors, the PEO, and the Management Control Work Group members for all their hard work and support in putting together this report.



“For control objectives to be met, control techniques must be in place, and they must be effective.”

WHAT IS THE PURPOSE OF MANAGEMENT CONTROL REVIEWS?

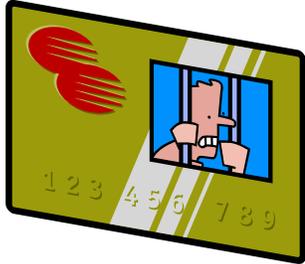
A management control review (MCR) is a detailed evaluation of existing management controls within an assessable unit (AU) to determine whether necessary controls are in place and producing the intended results.

An MCR allows management to determine if:

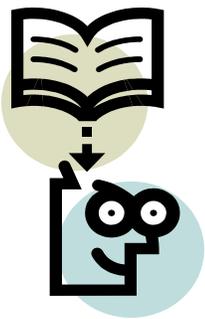
- Management controls exist which govern the organization's activities;
- Resources are used consistent with the organization's mission;
- Management control weaknesses are identified, corrected, and monitored;
- Laws, regulations, and other directives such as policies and procedures are being implemented as directed; and
- Management controls are effective and efficient in preventing fraud, waste, abuse, and mismanagement.

TYPES OF MANAGEMENT CONTROL REVIEWS

- **Management Control Reviews:** MCRs are only conducted when a reliable documented alternative review is not available.
 - **Internal Management Control Review:** An MCR that is conducted by individuals external to the office under review. Contractors may also be hired to perform internal MCRs.
 - **Self Assessment Review:** An MCR that is performed internally by the office under review.
- **Alternative Management Control Review:** An MCR that utilizes recently completed GAO, IG, or DoD Component audits, inspections, or investigations; quality assessments; financial systems reviews; internal review studies; or management/consulting reviews.



“Effective communications should occur in a broad sense with information flowing down, across, and up the organization.”



LESSONS LEARNED FROM RECENT DCC-W PURCHASE CARD AUDITS

- Copies of itemized receipts and supporting documentation are required and must reside in the office files for six years and 3 months.
- Billing Officials must perform annual reviews of all cardholder accounts.
- Alternate Billing Officials must be assigned for each account.
- Credit limits must not exceed procurement needs.
- Cardholders must ensure sales tax is not charged.
- Billing Officials and cardholders are required to consider mandatory sources for supplies and services before considering open market sources. Documentation proving that mandatory sources were checked must be present in the cardholders' file for each purchase.
- Organizations must also be aware of other laws, regulations, contractual agreements, and policies and procedures, which direct the organization to acquire supplies and services from sources such as GSA schedules and contracts, blanket purchase agreements, and single source suppliers, as well as exceptions to these requirements.
- Billing Officials and cardholders must complete all required training sessions.
- Billing Officials must maintain a file containing all training, appointments, and delegations documentation.
- Billing Officials are required to develop internal control procedures for purchase card activities.
- Cardholders are required to maintain documentation of timely and independent receipt and acceptance of all items obtained with the purchase card.
- Billing Officials are required to perform monthly reconciliation of all billing statements.

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- Billing Officials must establish written internal control procedures requiring cardholders to maintain billing statements and a detailed purchase log.
- Cardholders may not split purchases to avoid purchase card limits.
- Cardholders must ensure that all procurement methods are used appropriately.
- Cardholders must ensure that adequate competition is met and documented on a quote sheet for all purchases above \$2,500. Sole source justification must be reasonably adequate to support the absence of competition and documented in the file for each sole source purchase.
- Billing Officials must establish strict procedures for security and use of the purchase card.
- Billing Officials and cardholders shall ensure that only those items that can be acquired with appropriated funds are purchased.
- Billing Officials must review with cardholders the list of prohibited and restricted purchases noted in the FY 2004 DCC-W User's Guide.

“Although ultimate responsibility for controls rest with management, all employees have a role in the effective operation of controls established by management.”

MANAGEMENT CONTROL TOOLS:

Congress recently asked the GAO to review the importance of sound management controls and the recent revisions to the OMB Circular A-123. In their findings, the GAO stated that effective internal control is the key to improving accountability and that they agreed with the recent revisions to A-123. To learn more about GAO's findings please visit <http://www.gao.gov/new.items/d05321t.pdf>.

Due to the increase of both use and abuse of government purchase cards GAO was asked to summarize the growth of the purchase card program, identify the weaknesses that lead to the abuse, and document the controls needed to minimize abuse. GAO reported that significant weakness in management controls has made many organizations vulnerable to fraud, waste, abuse, and inefficient purchasing actions but “Increased Management Oversight and Controls Could Save Hundreds of Millions of Dollars.” (GAO-04-717T) To learn more about GAO's findings please visit <http://www.gao.gov/new.items/d04717t.pdf>.



“As the Congress and the American public have increased demands for accountability, the federal government must respond by having a higher standard of accountability for its programs and activities.” GAO-05-321T