



INFORMATION BULLETIN

**Special Note to Billing
Officials & Purchase
Cardholders:**

The FY 2006 DCC-W Purchase Card Operating Procedures is now available on DCC-W's website.

Please remember all cardholders and billing officials are required to complete refresher training every two years.



"Management's self-assessment of its performance can be an effective and powerful way to enhance an organization's control processes."

ASSESSABLE UNIT MANAGER'S ROLES & RESPONSIBILITIES

The Assessable Unit (AU) Manager is the person responsible for managing all internal control activities pertaining to an AU. The major roles and responsibilities of the AU Manager are to:

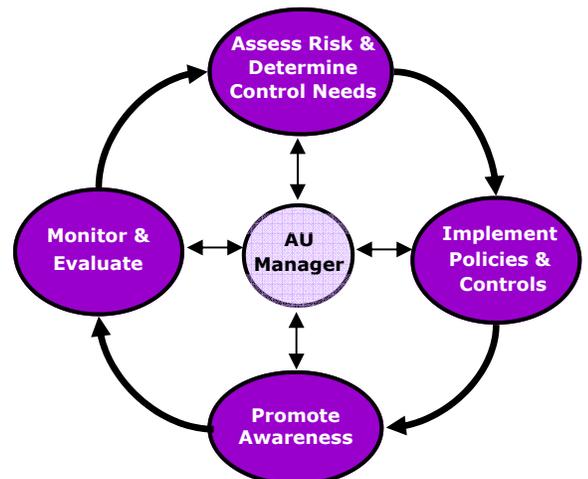
- Ensure all mission areas are covered by an AU;
- Ensure risk assessments are conducted/reviewed annually;
- Ensure internal controls are in place to mitigate risks and provide reasonable assurance that government assets are protected from fraud, waste, and mismanagement;
- Ensure internal controls are documented and communicated to appropriate personnel;
- Ensure internal control reviews and testing are conducted properly and in a timely manner;
- Oversee and monitor corrective action plans for all weaknesses; and
- Ensure input for the Annual Statement of Assurance is comprehensive, timely, and accurate for the AU area.

RISK MANAGEMENT CYCLE

When conducting/reviewing risk assessments, three important questions must be asked.

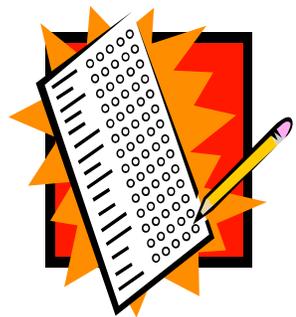
1. Have I identified my risks?
2. Do my controls cover my risks?
3. Are my controls working as intended?

* AU Managers are responsible for the Risk Management Cycle for their respective AUs.





“Management must monitor and test the effectiveness of internal controls periodically to ensure that controls remain adequate and function properly.”



KEY CHARACTERISTICS OF GOOD INTERNAL CONTROL IMPLEMENTATION

- Establish and maintain a positive and supportive attitude towards internal control;
- Routinely assess both internal and external risks;
- Ensure control activities occur at all levels of the organization;
- **Communicate** information in a form and time frame that permits all levels of personnel to perform their duties effectively;
- Monitor internal controls to assess the quality of performance over time and to ensure that the findings of audits and other reviews are promptly resolved.
- Identify and correct all internal control weaknesses in a timely fashion;
- Document all processes for the area of responsibility;
- Document delegated authority and responsibility;
- Periodically review, test, and analyze compliance with all Federal, DoD, and MHS Policy and guidance; and
- Test internal controls on a regular basis to determine if they are efficient and effective.

WHY WE MUST TEST INTERNAL CONTROLS

Testing is a critical component of the internal control review process. The value of testing internal controls is simple - testing helps determine if controls are accomplishing their defined objectives, necessary and adequate, and functioning as intended.

Testing also allows managers and others to:

- better understand the importance of achieving control environment effectiveness;
- have confidence in their control system based on hard data;
- spot weaknesses within their control system; and
- implement timely corrective actions as weaknesses are identified.

When testing internal controls, management should consider the cost relative to the reasonable return on investment associated with a given mission.

TESTING METHOD DEFINITIONS

- **Confirmation/Verification** – Obtaining external evidence as to the accuracy of information.
- **Document Analysis** – Reviewing records, completed forms, or other documentation for various attributes.
- **Interview** – Eliciting information from personnel who perform that control and other personnel performing related activities. (Interviews should be used to supplement document analyses and observations.)
- **Observation** – Watching the performance of the control technique of the activity.
- **Physical Examination** – Examining tangible assets to determine the existence, type, and condition of the assets and serial numbers.
- **Questionnaire** – Sending out questionnaires to elicit information, primarily opinions.
- **Transaction Testing** – Processing test data, either actual documentation or “dummy data” through a system to evaluate edit processes.
- **Sampling** – Selecting a suitable sample or representative part for inspection or analysis.



“If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary.” James Madison, The Federalist Papers, No. 51, 1788

AUDIT REVIEWS HIGHLIGHT INTERNAL CONTROL

In the October 28, 2005, audit report titled “Acquisition Contract Surveillance for Service Contracts,” the IG stated that even though DoD contract management has been designated as a “high risk” area, “Military Departments and the Defense Information Systems Agency did not have management controls in place to ensure adequate surveillance was performed on contracts...” The IG also identified several other material weaknesses that they claim were due to not effectively implementing the prescribed requirements of the DoD Management Control Program. To learn more about the IG’s findings please visit

<http://www.dodig.osd.mil/audit/reports/fy06/06-010.pdf>.

During a review of the Defense Logistics Agency’s (DLA) Information Security Program, the GAO reported that DLA has not consistently implemented important information security practices and controls, which thereby jeopardize the information systems that the agency relies on to accomplish its mission. Some of the weaknesses identified in the report were: inconsistent risk assessments; lack of training for employees who have significant responsibilities for information security; and ***lack of annual testing and evaluation of the effectiveness of management, operational and technical controls***. To learn more about the GAO’s finding please visit <http://www.gao.gov/new.items/d0631.pdf>.

