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	U·S· DEPARTMENT OF THE INTERIOR **OFFICE OF SURFACE MINING** **RECLAMATION AND ENFORCEMENT** **DIRECTIVES SYSTEM**	**Subject Number:** OPM-7 **Transmittal Number:** 754 **Date:** DEC 7 1992

Subject: Management Control Systems

Approval: [signature] **Title:** Director

1. Purpose. This directive provides policies and standards for establishing and maintaining management control systems in compliance with Office of Management and Budget (OMB) Circular A-123, General Accounting Office (GAO) Standards for Control in the Federal Government, the Federal Managers' Financial Integrity Act of 1982 (FMFIA), the Chief Financial Officers Act of 1990 (CFO Act) and Department of the Interior (DOI) policy.

2. Summary of Changes

a. General. The directive has been revised to:

(1) Emphasize that management control reviews are performed by the program and staff offices. The reviews are not confined to areas of accounting and administration, but encompass all areas of management.

(2) Establish procedures for submitting flash reports.

(3) Include updated spot check procedures.

(4) Require documentation be submitted to support the completion of corrective actions in addition to the certificate of completion.

(5) Require Assistant Directors and Heads of Staff Offices to establish individual Management Control Plans.

3. Definitions. For the purpose of this directive, the following terms are defined:

a. Accounting System Compliance Review (ASCR). Annual evaluation of accounting systems to determine compliance with the principles, standards and related requirements of the Comptroller General and the Core Financial System Requirements adopted by GAO, OMB and Treasury.

b. Alternative Management Control Reviews (AMCR). A control evaluation which encompasses the GAO control standards but which concentrates on the highest risk areas of a component or a portion of the component using the most effective and efficient means of reviewing the risks. Departmentwide functional reviews are one type of AMCR. Existing review processes which may be used as a basis for AMCR's include OMB Circular A-76 studies, computer security reviews, consulting studies, internal management reviews, and personnel reviews. Audits of controls by the GAO and the OIG may also be considered AMCR's depending on the scope of the audit.

c. Component. A major program, administrative activity, organization, or functional subdivision of a bureau or office that requires one or more separate systems of management control. Examples of program components are State Program Amendment Processing, Federal Reclamation Program, and Applicant/Violator System. Examples of administrative components are Acquisition Management, Travel, and Security.

d. Control Objectives. Established goals or standards which should be met to ensure that the component's mission and objectives are accomplished efficiently and effectively. Control objectives differ from overall component objectives in that they are directly related to the specific activities or processes necessary to accomplish the component's objectives.

e. Control Techniques. The management processes and documents necessary to accomplish control objectives or to reduce risks to acceptable levels.

f. Departmentwide Functional Reviews (DFR). Evaluations of functional activities generic to Bureaus and Offices. Examples of DFRs include Acquisition Management, Administrative Control of Funds, Computer Centers, Security and Travel. Evaluation guidelines are issued by the responsible Policy, Management and Budget office.

g. Documentation. Written policies and procedures, organization charts, manuals, memoranda, flow charts, completed questionnaires, records of interviews, computer software, and related written materials used to describe the management control methods and measures, to communicate responsibilities and authorities for operating management controls and to serve as a reference for independent third party review.

h. Event Cycle. A series of related steps that constitute a distinct and separate process or activity within a component. Each cycle helps fulfill the goals of the component, such as the planning or budgeting event cycle for any program component.

i. Flash Report. A report that alerts the Management Control and Audit Follow-up Council to a potential weakness that warrants its immediate attention.

j. General Control Environment. Management's overall attitude concerning management controls.

k. Inherent Risk. Inherent potential for waste, loss, unauthorized use, or misappropriation due to the nature of an activity itself.

l. Management Control. Methods and measures of the Office of Surface Mining Reclamation and Enforcement (OSM) to assure efficient and effective accomplishment of its program objectives and to prevent loss, waste or abuse by assuring the safeguarding of resources; the accuracy and reliability of information; adherence to applicable laws, regulations, and policies; and promotion of operational economy and efficiency.

m. Management Control Coordinator. The official designated by each bureau or Assistant Secretary to coordinate and facilitate compliance with the OMB Circular A-123 and relevant guidance issued by OMB, GAO, Office of Financial Management (PFM), and Office of Inspector General (OIG). In OSM, the Management Control Coordinator is a member of the Management Controls Staff, Office of the Deputy Director.

n. Management Control Plan (MCP). A written plan which summarizes a bureau's components and identifies the relative priority ranking of each component as high, medium or low. It establishes the type of management control evaluation, the year in which the evaluation is to be conducted and assigns responsibility for conducting the evaluation. The plan is developed by the Management Control Policy Committee and is approved by the Director and the Assistant Secretary. It is a five-year plan with annual updates to reflect changes in programs, organizations or functions, the progress of actions taken to improve controls, and any additional information on the status of control systems.

o. Management Control Policy Committee (MCPC). The MCPC is a committee chaired by the Deputy Director. Other members include the Assistant Director of the Western Support Center and the Assistant Directors for Reclamation and Regulatory Programs, the Chief, Division of Financial Management, and the Chief, Management Controls Staff act as advisors to the committee. The committee reviews and revises agency policy, establishes priorities in the correction and reporting of management control weaknesses, provides the linkage between the identification of material weaknesses and their funding in the budget, emphasizes the early warning potential of the management control process, and provides oversight on the management control review and reporting process.

p. Management Control Reviews (MCR). Evaluations of controls over all significant areas or activities of a component. MCR's are normally conducted as separate reviews since the evaluation methodology requires review of all high risk areas or activities.

*q. Management Controls Staff (MCS). The MCS has the responsibility for ensuring that the planning, testing, documentation, and reporting of the management control reviews are performed in accordance with Departmental and OSM requirements and guidance.

r. Material Weakness. A specific instance of noncompliance with the FMFIA of sufficient importance to be reported to the President and Congress. Such weakness significantly impairs the fulfillment of an agency component's mission; deprives the public of needed services; violates statutory or regulatory requirements; significantly weakens safeguards against waste, loss, unauthorized use or misappropriation of funds, property, or other assets; or results in a conflict of interest. DOI criteria for determining material weaknesses include: (1) conditions that lead to loss of life or personal injury, (2) conditions that lead to loss or damage of a significant natural, biological, cultural or historical resource, (3) financial losses or waste of resources in excess of the lesser of $10 million or five percent of component's resources, (4) conditions that could threaten successful program completion and (5) conditions that could cause embarrassment to the Secretary or senior officials.

s. Reasonable Assurance. A judgment by an agency head based upon all available information that a satisfactory level of confidence exists to achieve program objectives effectively and efficiently and to safeguard government resources. The emphasis is on the term "reasonable," since "absolute" assurance can never be given for any process.

t. Risk Assessment. A documented judgmental review by the MCPC of the susceptibility of all components to waste, loss, unauthorized use, or misappropriation. As a result each component is given a high, medium or low priority rating.

u. Testing. Procedures to determine whether management control systems are working in accordance with established objectives. Testing may include: document analysis, transaction testing, interview, and observation.

4. Policy/Procedures

a. General. The basic authority for establishing and maintaining agency management controls is vested in the Budget and Accounting Act of 1950, which requires each department and agency to establish and maintain adequate systems of management control.

The FMFIA amended the Budget and Accounting Act by requiring that internal accounting and administrative control procedures be developed by the GAO; annual evaluations be conducted by each executive agency of its systems of internal accounting and administrative controls; and annual reports be submitted by the heads of each executive agency to the President and Congress on the status of the agency's systems of management control.

The CFO Act, in part, requires that an agency and its component parts establish effective financial management policies and internal controls; ensure adequate systems to produce useful, reliable and timely financial and related programmatic information; and develop useful financial analysis and performance reports.

It is Departmental policy that bureaus and offices establish and maintain effective systems of control. These systems should constitute the full range of management controls necessary to protect and use Government resources effectively and efficiently. All levels of management within OSM should ensure that procedures are in place to safeguard agency resources; to maintain the accuracy of data; to promote efficient management; and to comply with prescribed laws, regulations, and policies.

b. Scope. The provisions of this directive apply to all organizational units within OSM.

c. Responsibilities. Responsibilities for management control systems are as follows:

(1) The Assistant Secretary - Policy, Management and Budget and Chief Financial Officer (CFO)

(a) Manages Departmental compliance with A-123 and the FMFIA.

(2) The Office of Financial Management - PMB (PFM)

(a) Provides oversight and guidance to the bureaus and offices concerning the review, evaluation, and maintenance of effective management controls.

(b) Manages, directs, and evaluates the Department's reporting under OMB Circular A-123, the FMFIA, and the CFO Act.

(3) Other PMB Offices

(a) Other PMB offices have significant Departmentwide A-123 responsibilities. The Offices of Acquisition and Property Management, Information Resources Management, Administrative Services, Personnel, and Budget develop management control guidelines for identified administrative functional areas for which they exercise Departmental oversight responsibility. These offices report periodically to the Secretary on the adequacy of such controls within bureaus and offices.

(4) Office of Inspector General (OIG)

(a) Provides guidance and technical assistance to Departmental management in their efforts to evaluate and improve controls.

(b) Evaluates bureau and office compliance with OMB Circular A-123 and the FMFIA, and provides the Secretary with a statement on the adequacy of annual assurance statements provided to the Secretary by the Department's senior management officials.

(c) Audits management control systems, including their related practices and procedures, to ensure they are adequate and will reliably protect and safeguard the efficient and effective use of Government resources.

(d) Determines whether the policies and standards are established in accordance with OMB Circular A-123 and the FMFIA are being properly implemented.

(5) Director/Deputy Director - OSM

(a) Ensures that adequate systems of management control are implemented within OSM through the MCPC.

(b) Reviews control evaluations and promptly takes appropriate corrective actions.

(c) Promotes a control conscious environment within OSM that keeps managers constantly aware of the need to establish systematic controls, monitor their application, and periodically review their effectiveness.

(d) Promotes employee awareness of the individual's responsibility in protecting and safeguarding Government resources.

(e) Ensures that adequate resources are devoted to the Management Control Review Program.

(6) Management Control Coordinator (MCC)

(a) Develops standards and procedures, guidelines, and reporting requirements necessary to establish and maintain effective management controls.

(b) Provides training to OSM organizational components in management control review techniques.

(c) Provides guidance and assistance upon request to OSM organizational components in the conduct of control reviews.

*(d) Ensures that Flash Reports are evaluated and informs Deputy Director of significant problems.

(e) Ensures that management control reviews meet the standards and intent set forth in OMB, GAO, and Departmental guidelines.

(f) Ensures that corrective actions reported complete are implemented and are effective.

(g) Coordinates OSM's reporting on management control reviews to the Assistant Secretary, Land and Minerals Management, the PFM, and the OIG.

(7) Assistant Directors and Heads of Staff Offices

(a) Ensure compliance with this directive and establish adequate management controls within organizational units under their direction.

(b) Establish an internal Management Control Review Plan to ensure that all operations are periodically assessed for effectiveness of controls and vulnerability to fraud, waste and abuse.

(c) Ensure that all control reviews for which they are responsible are conducted in accordance with the overall plan.

(d) Ensure the use of the Management Control Flash Report as an early warning to the Director/Deputy Director of potential significant problems, mismanagement, or major instances of fraud, abuse, and waste.

(e) Promote a control conscious environment and ensure compliance by exacting employee accountability through appropriate program objectives, goals and performance standards.

(f) Ensure that adequate resources are devoted to the management control review program.

(g) Develop corrective action plans to correct reported control weaknesses.

(h) Ensure that corrective actions are implemented as scheduled.

(i) Ensure that reports on the status of corrective actions are prepared by the responsible officials in accordance with guidance provided by the Management Control Coordinator.

d. Procedures. OSM must provide an ongoing management control process to evaluate controls in accordance with policies, standards and procedures prescribed by Departmental Manual Part 340. The management control evaluation process in OSM will include the following:

(1) maintaining an inventory of agency components,

(2) developing a management control plan,

(3) conducting sufficient evaluation of controls to provide a basis for a reasonable assurance determination,

(4) providing training, periodically on procedures, to conduct evaluations,

(5) monitoring and reviewing the quality of evaluations conducted,

(6) monitoring corrective actions through a corrective action tracking system, and

(7) reporting evaluation results through an established reporting process.

e. Component Inventory. The establishment of an agencywide component inventory is the first step in the management control process. The inventory will include all nonpolicy activities and functions, and be properly segmented in size to facilitate review. The inventory will be reviewed and adjusted annually to reflect changes in mission, programs, organization or resources.

f. Risk Assessments. Each component will be assessed for risk and assigned a risk rating. Components will be evaluated for risk (High, Medium or Low) based on an analysis of the control environment, the inherent risk of the component and a preliminary evaluation of the existing safeguards. Both the analysis of the control environment and the preliminary evaluation of the safeguards are generally subjective reviews based on management's attitude concerning controls and the existence and adequacy of management controls.

The major factors that affect the inherent risk of a component are size of budget, life of the component, component administration, results of other studies, responsiveness to recommendations and the component's impact outside the Department.

g. Scheduling Components for Control Evaluations. The MCPC will meet to discuss risk ratings of components and a schedule of control evaluations. A proposed management control plan (MCP), developed by the Management Control Coordinator, will identify the risk ratings and schedule components for evaluation over a five-year cycle. The scheduling and/or risk ratings can be revised annually. In scheduling specific evaluations, priority will be given to high risk components or areas of higher risk within medium or lower rated components. Components rated high risk should be evaluated every three years; components rated medium risk, every four years; and low risk components, every five years.

h. Scheduling Special Reviews. The Director, Deputy Directors, Assistant Directors and Heads of Staff Offices may schedule a review in addition to those listed on the MCP. They may set up an ad hoc team or request the MCS to conduct the review.

If the review is replacing one that is already on the approved MCP, the MCS should be consulted and approval for the substitution should be granted by the MCPC. The Director will notify the Department of the substitution. The same procedural requirements apply to the substituted review as apply to a scheduled review.

*i. Flash Report. The Flash Report was designed to incorporate the early warning capabilities of the Management Control Program into DOI management reporting and decision making processes. The Flash Report alerts the Management Control and Audit Follow-up Council of potential problems that warrant its immediate attention. The Flash Report is submitted through the responsible Bureau Director to the Assistant Secretary and the Management Control and Audit Follow-up Council with a copy to the Director of PFM. The Flash Report format and detailed procedures are shown in Appendix A.

j. Guidelines for Conducting Control Evaluations

(1) General. Agency management officials have primary responsibility for assuring that management control evaluations are conducted.

(2) Evaluation Process. OMB and the Department of the Interior have issued guidelines for performing management control reviews (see Section 6. References). These guidelines are incorporated by reference herein, and are followed by OSM in defining control systems and conducting and documenting control evaluations.

(3) Types of Evaluations.

(a) Departmental Functional Reviews - Certain functional components (such as accounting, personnel management, etc.) are identified by the Department at the departmental level and specific guidelines are issued by responsible PBA offices for use in conducting the evaluation.

(b) Full MCR's - A detailed examination of all events and event cycle(s) of an OSM program or administrative activity to determine if appropriate and adequate internal control objectives and techniques exist to prevent waste, fraud, abuse and mismanagement. At least one full MCR is required to be conducted annually.

(c) Alternative MCR's - This approach will be used whenever possible because AMCR's are generally more cost effective and efficient than full MCR's. AMCR's are a less detailed examination concentrating on the highest priority or risk areas of a component or an event within the component and can be integrated with other planned reviews such as management studies, consulting studies, and OMB Circular A-130 Computer Security Reviews.

To avoid unnecessary duplication, Personnel Management Evaluations, Property Management Reviews and Acquisition Management Reviews will form the basis of some AMCR's.

(4) Management Control Testing. Control testing is an integral part of the review. Effective management control testing should include a testing plan. Typically, the plan should set forth the test objectives, test methodology, documentation to be reviewed, sampling method, test period, sample size, and the acceptable and unacceptable error conditions. The testing procedures should be directed at the control techniques employed to accomplish the control objectives for the component. Tests should be limited to those necessary to ensure reasonableness of the controls and to determine whether they are functioning as intended.

Management control testing should include as appropriate:

(a) Interviewing persons that exercise control functions;

(b) Observing control procedures;

(c) Examining documentation that shows evidence of control techniques;

(d) Performing control procedures on live transactions and comparing results; and

(e) Direct testing of computer-based control mechanisms by use of dummy transactions.

(5) Evaluation Documentation. Copies of all completed evaluations will be maintained by the MCS. Documentation pertaining to the performance and results of the evaluation should be maintained by those responsible for conducting the evaluation. The responsible official should maintain sufficient evidence to support the review in accord with instructions issued by the Department of the Interior (Financial Systems memorandum No. 90-1) and incorporated herein by reference.

Documentation should include written evidence which sets forth: (1) the officials participating in the review, (2) the controls examined, (3) the extent and type of control tests performed, (4) the analyses of the tests conducted, (5) a description of any weaknesses found, and (6) the actions recommended to correct the weaknesses.

When the corrective action for an identified control weakness crosses organizational lines, the Deputy Director will chair a meeting to discuss the issues involved. All responsible officials and the Management Control Coordinator will attend the meeting.

(6) Quality Assurance. Agency management officials and the Management Control Coordinator have joint responsibility for ensuring that control evaluations are performed properly and accurately reported. To ensure the quality of the control evaluations, OSM has established the MCS. The MCS has the responsibility for ensuring that the planning, testing, documentation, and reporting of reviews is performed in accordance with Departmental and OSM requirements and guidance. The following procedures will be followed by the MCS:

*Review the proposed work plans (including test plans). Review and determine the adequacy of actions taken to complete control reviews and the adequacy of corrective actions for identified control weaknesses. The MCS, based on a review of appropriate Departmental and OSM guidance and the information provided, will review the documentation. This serves as a peer review in which the individual responsible for the review may be required to explain actions taken. Program area staff responsible for the review may be asked to present their views and to provide additional information and clarification for items contained in the report. Approval of the MCS must be obtained before the final review is submitted to the Director for signature.

*Test plans will be reviewed to ensure that they are prepared in accordance with Departmental and OSM policy and are extensive enough to provide sufficient data

about the component being evaluated. Test plans also will be reviewed at the completion of the review to determine if actions taken followed the outline of the plan.

*The MCS will decide if changes are necessary to the proposed work plan and final management control review. The Management Control Coordinator will direct that any appropriate changes be made or additional review work be performed.

*If disagreement occurs between the program office and the Management Control Coordinator on the scope or procedures for the control review, the Deputy Director, Operations and Technical Services will resolve the dispute.

5. Reporting Requirements. The performance of control evaluations is a continuous process requiring reports to OMB, the Congress, and the President. Under FMFIA, the Secretary of the Interior has annual reporting responsibility to the Congress and the President on results of evaluations and whether the Department's systems for accounting and administrative control conform to principles, standards and related requirements prescribed by the Comptroller General.

   a. General. In addition to the specific reporting requirements needed to support Departmental reports to the Congress and the President, OSM is required to maintain a formal follow-up system to record and track planned corrective actions and to monitor progress against planned completion dates.

   b. Control Evaluation Reports. As components are evaluated during each fiscal year, OSM is required to prepare and submit reports on evaluation results through the Assistant Secretary for Land and Minerals Management to the Office of Financial Management, Assistant Secretary for Policy, Management and Budget. A copy also must be sent to the OIG. All evaluations are required by the specific due date. (If a due date is not applicable, evaluations should be submitted within 30 days of completion unless otherwise specified.)

*(1) Work plans and draft reports must be submitted to the Management Control Coordinator for review and comment prior to finalization. If in the view of the Management Control Coordinator appropriate criteria have not been satisfactorily addressed, the report will be returned to the responsible official for correction.

*(2) Final reports must be submitted to the Management Controls Staff for review and approval before they are submitted to the Director for signature.

c. Accounting System Review Reports. OSM is required to conduct an annual evaluation of its accounting system to determine compliance with principles, standards, and related requirements prescribed by the Comptroller General.

(1) The report is to be completed by the Chief, Division of Financial Management (OSM) in accordance with guidance provided by Policy, Management and Budget, through the Management Control Coordinator.

*(2) The Management Controls Staff will review the final report prior to submission to the Director for signature.

(3) A copy of the completed report will be submitted to the Assistant Secretary, Land and Minerals Management for signature and subsequent transmission to the PFM and the OIG.

d. Annual Statement on Internal Accounting and Administrative Control. OSM is required to submit to the Assistant Secretary, Land and Minerals Management the results of management control activity for the fiscal year. The statements from OSM and other Departmental bureaus form the basis for the Annual Departmental Statement/Report which is submitted by the Secretary to the President and Congress.

(1) The Management Control Coordinator is responsible for preparing the annual statement and a preliminary identification of material weaknesses for the report.

(2) The Director and Deputy Director are responsible for reviewing and refining the list of material weaknesses.

e. Tracking and Reporting System. OSM in accordance with Departmental guidance, maintains a formal tracking system to record and track planned corrective actions and monitor progress towards completion.

(1) The Management Control Coordinator is responsible for data gathering and reports distribution of the Corrective Action Tracking System (CATS). The CATS will include all components for which weaknesses have been identified through management control reviews.

(2) On a quarterly basis, the CATS report will be distributed to Assistant Directors and responsible officials for updating. It is the responsibility of each Assistant Director to ensure that requested information is promptly provided, that information provided is accurate and complete, and that progress is being made to correct both material and nonmaterial weaknesses.

(3) The Management Control Coordinator is responsible for verifying that corrective actions on material weaknesses have been completed and that the action taken has corrected the weakness. To ensure that the action taken was sufficient to correct the control weaknesses, the MCS will conduct a follow-up AMCR of the component within six months after all actions are reported complete. The AMCR should determine whether the action taken corrected the weakness, i.e., procedures are complied with and the system works effectively. The AMCR will be submitted to the Director.

*(4) Before nonmaterial weaknesses are removed from the CATS, the responsible program official is responsible for certifying that the planned corrective action was completed and the action taken corrected the weakness. When all

corrective actions pertaining to a particular weakness have been completed, the responsible official must certify it as being completed by signing and dating the CATS report in the lower right hand corner and returning it to MCS. Documentation to support the completion of the corrective action should be submitted with the certification.

(5) The Management Controls Staff will spot check all completed nonmaterial weaknesses to ascertain if responsible officials are appropriately certifying items as complete.

Six months after all corrective actions associated with a review of the component have been certified complete by the responsible officials or their designated representatives, a spot check will be conducted on the component. The spot check will verify that the corrective action (a) has, in fact, been completed; (b) is effective; and (c) has eliminated the weakness. The methodology for the spot check procedure will be determined on a case-by-case basis depending on the identified weakness and its planned corrective action.

When continuous delays occur in completing all corrective actions associated with a review, spot checks may be performed on individual corrective actions.

The responsible official will be notified in advance of the actual spot check. The Deputy Director and the cognizant Associate Director will be kept informed of the results of the spot checks.

(6) It is the responsibility of the appropriate Associate Director to ensure that changes in completion dates of nonmaterial weaknesses are held to a minimum.

If a completion date is not going to be met, a memorandum signed by the appropriate responsible official must be submitted to MCS explaining the

delay. Continued delays will result in a telephone follow-up from MCS. If at that time the issue is not resolved, a memorandum to the appropriate Associate Director will be issued requesting immediate action to complete the corrective action. Date changes for nonmaterial weaknesses are subject to the approval of the Deputy Director.

When dates on material weaknesses are proposed to be revised into the next fiscal year, the responsible official is required to prepare a memorandum for the Director's signature to the Assistant Secretary, Land and Minerals Management explaining the reasons for the delay in implementing the corrective action. The memorandum should be routed for surnaming to the appropriate Associate Director; the Chief, MCS and the Deputy Director.

(7) Quarterly reports on material weaknesses will be submitted to the Department by the Management Control Coordinator.

6. References

a. Office of Management and Budget Circular A-123.

b. Departmental Manual Part 340 1 and 2, Management Control Systems.

c. Department of the Interior Management Control Handbook (March 1992)

d. Office of Management and Budget Guidelines for the Evaluation and Improvement of Reporting on Internal Control Systems in the Federal Government.

e. Financial Systems Memorandum No. 90-1 (February 28, 1990).

f. Chief Financial Officers Act of 1990 (P.L. 101-576).

7. Effect on Other Documents. Supersedes OSM Directive OPM-7, Management Control Systems, dated June 6, 1988 (Transmittal Number 448).

8. Effective Date. Upon issuance.

9. Contact. Management Controls Staff, (202) 343-7910.

10. Keywords
Management Control
Corrective Action Tracking System
Flash Report
Chief Financial Officers Act

APPENDIX A

PROCEDURES
FOR
MANAGEMENT CONTROLS FLASH REPORTS

Purpose: This procedure documents the instructions for the use of the Management Controls Flash Reports within the Office of Surface Mining Reclamation and Enforcement (OSM).

The following procedures are intended to ensure that a manager is aware of potential problems but they should not be seen as a blockade or impediment. The basic purpose of the flash report is to quickly alert management of potential problems. Each manager is to be made aware of each issue so that it can be handled in an expeditious manner. Management places a high priority on recognizing problems and resolving them in a timely manner.

Background: The Internal Control Interagency Coordination Council's (ICICC) report Improving the Management Control Process issued July 1989, encouraged the implementation of several recommendations to improve the management controls process. The ICICC recommended that the inherent early warning capabilities of the management controls process should be incorporated into agency management reporting and decision making processes. This would ensure that mission critical issues are identified and elevated to senior management in a timely manner. The Management Controls Flash Report was designed by the Department to facilitate the reporting process.

Definition: A Management Controls Flash Report is a reporting tool that documents potential problems that warrant the immediate attention of senior bureau and department management or other parties. All weaknesses identified in the Flash Report should document the impact of the weakness including the funding implications. Each employee should ensure that the weakness falls into one of the categories listed below.

1. Financial losses or waste of resources which exceeds the lesser of $500,000 or five percent of the component resources;

2. The loss of life, personal injury, or loss/damage to property or equipment;

3. Factors which threaten the successful completion of a significant program or result in the potential loss of substantial budget availability;

4. Factors which cause budget targets to be exceeded or result in serious jeopardy to the funding integrity of planned program objectives;

5. Conditions which cause embarrassment to the Secretary and/or other senior-level officials; and

6. Conditions which lead to loss or damage of a significant natural, biological, cultural or historical resource.

Approval Process: The Department requires that Management Controls Flash Reports be submitted through the Director, OSM through the Assistant Secretary's Management Controls Review Committee, the Departmental Management Controls and Audit Follow-up Council and the Director of Financial Management.

Prior to a Flash Report being submitted to the Director, OSM, the following procedures are applicable to OSM employees and managers.

Management Controls Flash Reports should be forwarded on the appropriate form (see attached) from the employee to the Chief, Management Controls Staff (MCS) with a copy to the initiator's immediate supervisor as quickly as possible.

If a Flash Report is addressed directly to the manager, the manager should forward the Flash Report to the Chief, MCS.

The chief, MCS or designated staff member upon receipt of a Flash Report will:

1. Telephone, send a memorandum, or request a meeting to inform each cognizant manager (i.e., Field Office Director, Associate Director, Division Director, etc.) of the Flash Report within one day of receipt;

2. Consult with the managers to obtain clarification and/or additional information;

3. Coordinate and obtain feedback from the managers as to agreement or disagreement with it;

4. Research and analyze the issue to determine the organizational impact, when necessary;

5. Prepare and submit a memorandum to the Deputy Director, for approval, recommending a final decision;

6. Prepare and submit a memorandum to the Deputy Director for approval informing the employee of the final decision;

7. Forward to Director, as appropriate.

8. Notify initiator of disposition.

The Chief, MCS will ensure that <u>each</u> employee receives timely feedback on the disposition of the Flash Report.

The Chief, MCS will ensure that <u>all</u> Flash Reports are approved by the Deputy Director, Operations and Technical Services prior to submission to the Director, OSM.

The Chief, MCS will maintain, in OSM files, a record of each Flash Report and all documents pertaining to the final decision and will provide additional information to an employee upon request.

MANAGEMENT CONTROLS FLASH REPORT

To: Chief, Management Controls Staff

Submitted by: _____
(Name)

Bureau: _____

Organizational
Component: _____

Weakness: _____

_____

_____

_____

_____

Date Identified: _____

Impact of the Weakness (including funding implications):

_____

_____

_____

_____

_____

_____

_____

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_____