

MANAGEMENT ACCOUNTABILITY AND CONTROL PROGRAM

1. REASON FOR ISSUE: To revise Departmentwide management control policy, formerly contained in VA Manual MP-1, Part II, Chapter 15, Internal Control Systems. This directive implements OMB and GAO revisions to policy guidelines and the recommendations to improve VA's Management Accountability and Control Program.

2. SUMMARY OF CONTENTS/MAJOR CHANGES: This directive provides guidance designed for VA managers to ensure the integrity of VA programs, administrative operations, and financial management systems through effective and efficient controls. Secretary's Top Managers Meeting will be the principal forum for review of management control weaknesses.

3. RESPONSIBLE OFFICE: The Management Controls Division (047GB2) of the Office of the Deputy Assistant Secretary for Financial Management is responsible for the material contained in this directive.

4. RECISSIONS: MP-1, Part II, Chapter 15, Internal Control Systems, dated October 4, 1988.

CERTIFIED BY:
SECRETARY

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MANAGEMENT ACCOUNTABILITY AND CONTROL PROGRAM

1. PURPOSE AND SCOPE

This directive establishes Departmentwide policy designed for VA managers to improve the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on management controls. The policy contained in this directive ensures that the appropriate management accountability and controls are used to assure that programs are managed with integrity and in compliance with applicable laws.

2. POLICY

a. Management Control. VA managers will:

- (1) Take systematic and proactive measures to develop and implement appropriate, cost-effective management control for results-oriented management.
- (2) Assess the adequacy of management control for each program and operation, identify needed improvements, take corrective action and provide an annual report for senior VA managers.
- (3) Ensure that management controls are an integral part of each organization's entire cycle of planning, budgeting, management, accounting, and auditing.
- (4) Support the effectiveness and the integrity of the management control process.
- (5) Incorporate basic management control in the strategies, plans, guidance and procedures that govern their programs and operations.
- (6) Ensure that all program operations, obligations and costs comply with applicable laws and regulations, and that all resources will be allocated for duly authorized purposes.
- (7) Provide reasonable assurance that assets are safeguarded against waste, loss, unauthorized use, and misappropriation.
- (8) Ensure that all management controls developed for agency programs are logical, applicable, reasonably complete, and effective and efficient in accomplishing management objectives.

b. Management Control Weaknesses. VA managers will:

- (1) Be held accountable for disclosing management control weaknesses to their next level of management and take timely action to correct the identified weakness.
- (2) Establish and follow procedures to track projected and actual progress in correcting each weakness.
- (3) Promptly evaluate findings and recommendations by reviewers and/or auditors, determine proper actions, and complete within the established timeframes all actions to correct or resolve the reported weakness.

c. Management Control Oversight. Departmental oversight will be provided by VA's top managers through such avenues as the Secretary's Top Management Meetings, the VA's Chief Financial Officers' Council, etc.

3. RESPONSIBILITIES

a. **Secretary of Veterans Affairs.** The Secretary, through the Deputy Secretary, will:

(1) Ensure that an effective Departmentwide Management Control Program is established and maintained in the VA.

(2) Designate a senior management official (Assistant Secretary for Management) to oversee policies, processes, and reporting relative to the management control program.

(3) Provide reasonable assurance to the President and the Congress on the status of compliance with the requirements of the Federal Managers' Financial Integrity Act (FMFIA) based on evaluations of VA's programs and financial management systems.

b. **Assistant Secretary for Management.** The Assistant Secretary for Management, through the Deputy Assistant Secretary for Financial Management, will:

(1) Develop policy and procedures for VA's Management Control Program to include development of standards and guidelines for establishing, maintaining, evaluating and reviewing management controls.

(2) Provide oversight and guidance to VA organizations.

(3) Provide training and technical support.

(4) Monitor and track program progress.

(5) Manage, direct, and evaluate FMFIA annual reporting.

(6) Provide staff support to the Top Management Meetings.

c. **Inspector General.** The Inspector General, in conjunction with independent reviews and audits, will:

(1) Conduct limited reviews of internal control documentation and systems for compliance with

policies and standards established by OMB Circulars A-123 and A-127 and this directive.

(2) Provide technical assistance to concerned internal control officials.

d. Administration Heads, Assistant Secretaries, and Other Key Officials. Heads of organizations will:

- (1) Ensure that necessary controls exist and are followed in their organization.
- (2) Provide a yearly statement of written assurance to the Secretary (through the Assistant Secretary for Management) on the degree to which they believe that the objectives of management control efforts are achieving their intended objectives, and a statement of written assurance on whether the organization's financial management systems conform with Governmentwide requirements.
- (3) Ensure that their managers are cognizant of the importance of management controls.
- (4) Perform the necessary reviews and/or evaluations of programs/financial management systems in accordance with OMB guidelines.
- (5) Designate a Management Control Officer/Liaison to coordinate the organization's overall efforts.
- (6) Incorporate management control responsibilities into the performance plans of subordinate managers and ensure accomplishments in this area are reflected in their performance appraisals.

4. REFERENCES

- a. Public Law 97-255, Federal Managers' Financial Integrity Act of 1982, September 8, 1992.
- b. OMB Circular No. A-123 (Revised), Management and Accountability Controls, June 21, 1995.
- c. OMB Circular No. A-127 (Revised), Financial Management Systems, July 23, 1993.
- d. OMB Circular No. A-130 (Revised), Management of Federal Information Resources, December 12, 1985.
- e. GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 2, "Accounting," Appendix II, "General Accounting Office Standards for Internal Controls," October 31, 1984.

5. DEFINITIONS

- a. **Management Accountability.** Managers are responsible for the quality and timeliness of program performance, increasing productivity, controlling costs and alleviating adverse aspects of organizational operations, and assuring that programs are managed with integrity and in compliance with applicable laws.

b. Management Controls. The organizational policies and procedures used to reasonably ensure that:

- (1) Programs achieve their intended results.
- (2) Resources are used consistent with the organization/Department mission.
- (3) Programs and resources are protected from waste, fraud, and mismanagement.
- (4) Laws and regulations are followed.
- (5) Reliable and timely information is obtained, maintained, reported and used for decision making.

c. Material Weakness. (Also includes issues formerly known as "material non-conformances.") Material impediments that significantly impair the fulfillment of the Department or organization's mission; deprive the public of need services; violate statutory or regulatory requirements; significantly weaken safeguards against waste, loss, unauthorized use or misappropriation of funds, property or other assets; or result in a conflict of interest. However, managerial judgement must be exercised in determining a material weakness. In general, a material weakness may meet one or more of the following criteria:

- (1) Merits the attention of the Secretary, the President, or the Congress.
- (2) Significantly impairs the fulfillment of an agency's mission.
- (3) Deprives the public of needed services.
- (4) Violates statutory or regulatory requirements.
- (5) Significantly weakens safeguards against waste, loss, unauthorized use or misappropriation of funds, property, or other assets.
- (6) Results in a conflict of interest.
- (7) Prevents VA primary accounting systems from achieving central control over agency financial transactions and resource balances.
- (8) Prevents compliance of the primary accounting system, subsidiary system or program system with OMB Circular A-127 (Financial Management Systems), the Standard General Ledger, and the Core Financial Systems Requirements.
- (9) Results in a significant and recurring misstatement in reports required by the Office of Management and Budget, the Treasury Department, or the Congress.

d. **Reasonable Assurance.** A satisfactory level of confidence in achieving program, administrative, and financial management objectives effectively and efficiently and safeguarding government resources under given considerations of costs, benefits, and risks. The emphasis is on the term "reasonable" since "absolute" assurance can never be given for any process.

e. **Evaluation.** Annual review of management controls to determine compliance with principles, standards and related requirements from the General Accounting Office, the Office of Management and Budget, or the Joint Financial Management Improvement Program's "Core Financial System Requirements." This evaluation may be conducted as a separate review or may use the results of existing organizational review processes such as OMB Circular A-130 computer security reviews, OMB Circular A-127 financial system reviews, Inspector General audits, and other management and consulting reviews.

f. **Statements of Written Assurance.** Annual statement certifying that the manager's operational activities have been conducted and assessed. The statement is also management's objective decision that his/her program, administrative, and financial management systems are/are not operating in compliance with the Integrity Act. The statement is based on the results of management control evaluations and reviews.