

DEPARTMENT OF THE ARMY
SAVANNAH DISTRICT, CORPS OF ENGINEERS
CESAS-RM-RS P. O. BOX 889
SAVANNAH, GEORGIA 31402-0889

DISTRICT REGULATION
NO. 11-1-4

20 December 2000

Army Programs
MANAGEMENT CONTROL PROCESS

1. Purpose: This regulation prescribes the policies, responsibilities, procedures, and accountability of the Management Control Process for the Savannah District.
2. Applicability: This regulation applies to all managers and supervisors in the Savannah District.
3. References:
 - a. AR 11-2, 1 Aug 94, Management Control
 - b. Management Control Plan
4. Definitions: Definitions for terms used in this regulation are in Appendix A.
5. Objectives of Management Control Process: The objectives of the management control process apply to all program and administrative activities. Management controls are to provide management with reasonable assurance that:
 - a. Obligations and cost comply with applicable law.
 - b. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use and misappropriation.
 - c. Revenues and expenditures applicable to District operations are properly recorded and accounted for so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained.

This regulation supersedes DR 11-1-4, 31 Jan 92.

d. Programs are efficiently and effectively carried out in accordance with applicable law and management policy.

6. Responsibilities:

a. The Commander/Assessable Unit Manager (AUM) is responsible for establishing and maintaining an effective Management Control Process for the District, for ensuring adherence to the 12 GAO management control standards and for ensuring responsibility and accountability is specifically covered in performance agreements of appropriate civilian and military managers.

b. The Resource Management office has staff responsibility for overseeing the Management Control Process. The Chief, Resource Analysis Branch (CESAS-RM-RA) is appointed the District Management Control Administrator (MCA) by the Commander to provide general administration of the Management Control Process. The Resource Analysis Branch, Business Practices and Strategic Management Team (CESAS-RM-RS) will provide the administrative support and staff coordination necessary to ensure compliance with the above references and this regulation. The MCA will inform the Commander on all matters that affect the program. Responsibilities include but are not limited to:

(1) Reviewing policies and procedures to ensure that the program is in compliance with guidance from higher headquarters.

(2) Coordinating with and assisting Staff Managers, Branch/Section/Unit Chiefs, and Points of Contact on matters related to the program.

(3) Preparing the Commander's Annual Assurance Statement.

(4) Providing guidance to Staff Managers on personnel in their organization whom should have management control responsibilities in their performance agreements and guidance on what goes in the performance agreement.

(5) Establishing and maintaining a system of documenting and tracking the status of material weaknesses identified by managers in the District. (This action will not duplicate the normal recording and tracking functions of the Internal Review office on their findings.)

(6) Updating the Commander, Staff Managers, Branch/Section/Unit Chiefs, and Management Control Points of Contact (POCs) on the process as necessary.

(7) Assessing weaknesses identified by outside agencies to determine whether they apply to Savannah District.

(8) Providing or arranging training for Staff Managers, Branch/Section/Unit Chiefs, and Management Control Points of Contact.

c. Staff Managers (Division/Office Chiefs) are responsible for ensuring the Branch/Section/Unit Chiefs in their respective organizations comply with the procedures and guidelines set forth in the references and this regulation as they pertain to the Management Control Process. Specifically, Staff Managers are responsible for:

(1) Ensuring adherence to the 12 GAO management control standards.

(2) Ensuring the supervisors in their organizations have management control responsibilities in their performance agreements. (See paragraph 2-10, AR 11-2.)

(3) Establishing procedures for reporting material weaknesses in their functional areas to CESAS-RM-RS.

(4) Developing plans and procedures to correct noted management control weaknesses and material weaknesses within their areas of responsibility and retesting improved controls or compliance before reporting to the MCA any prior weaknesses as corrected.

DR 11-1-4
20 Dec 00

(5) Ensuring the supervisors use and complete checklists within the fiscal year established by the Management Control Plan.

(6) Monitoring and sustaining management controls within their areas of responsibility.

(7) Appointing a point of contact to coordinate MC Process with CESAS-RM-RS.

d. Branch/Section/Unit Chiefs are responsible for:

(1) Applying the GAO standards in all day-to-day operations.

(2) Using checklists as daily guidance to evaluate their functional area and formally completing the checklists within the fiscal year established in the Management Control Plan.

(3) Supplementing or modifying checklists to account for local conditions.

(4) Reporting through their Staff Managers to the MCA on the results of using the checklist.

(5) Determining whether a management control weakness is a material weakness. (See paragraph 2-6, AR 11-2.)

(6) Preparing a plan of action to assure correction of weaknesses and establishing and meeting milestone dates to correct noted weaknesses. When weaknesses require corrective action at a higher level, refer the condition and recommended action through their Staff Manager to CESAS-RM-RS for reporting to CESAD.

(7) Maintaining all checklists and back-up documentation used to evaluate their functions.

(8) Providing a copy of completed checklists and weaknesses to their functional point-of-contact.

e. The Internal Review Office is responsible for:

(1) Providing to CESAS-RM-RS known or suspected material weaknesses for coordination with respective staff managers for inclusion in appropriate reports.

(2) Assisting CESAS-RM-RS by reviewing the Annual Assurance Statement and providing an assessment of its thoroughness and validity.

f. Management Control Points of Contact (POC) (appointed by Staff Managers) are responsible for:

(1) Maintaining a file of all checklists received for their functional area, action taken or planned, and assuring that the checklists are properly completed.

(2) Reviewing audit reports, inspection reports, and internal review reports to determine if any weaknesses have been discovered in their functional area.

(3) Maintaining a list of management control weaknesses and material weaknesses occurring in her/his division/office, actions taken or planned, and assuring that the weaknesses are corrected.

(4) Maintaining a list of all managers in their functional area who have Management Controls responsibilities in their performance agreements.

(5) Consolidating and providing data to CESAS-RM-RS for the annual assurance statement (prepared by CESAS-RM-RS) to CESAD and HQUSACE.

7. Program Execution:

a. Managers and supervisors should maintain effective management controls to safeguard resources and ensure adherence to laws and regulations. Management is responsible for management controls. Branch/Section/Unit Chiefs will implement and sustain management controls through the use of:

- (1) Management control review checklists
- (2) Existing quality assurance type checklists
- (3) Review of audit/inspection reports
- (4) Other management control review processes needed to ensure management controls are adequate.

b. Managers and supervisors will be forthright in reporting material weaknesses. Maximum effort will be applied to the timely correction of material weaknesses. A more detailed description of a material weakness is at Appendix B.

c. Managers must not hesitate to report weaknesses that may appear minor--other organizations may be experiencing the same weaknesses that, when added together, could cause a material weakness district-wide. Early detection and correction of weaknesses or deficiencies could prevent a material weakness.

d. The checklists are included in the back of the regulations and can be accessed through the HQUSACE publications listing on the Internet.

e. The Branch/Section/Unit Chiefs will complete the checklist within the fiscal year prescribed in the Management Control Plan. After completion of the checklist, the supervisors will sign and date the checklist, obtain his staff manager's signature as reviewer, and provide a copy of the completed checklist with back-up documentation to the functional area's point-of-contact for future reference or audit. If there are management control weaknesses and/or material weaknesses noted as a result of the use of the checklists, the supervisor will discuss the weakness and proposed corrective action with his staff manager and notify CESAS-RM-RS immediately of any material weaknesses using the form enclosed with APP B. He will also provide a copy of the weakness to his functional area's point-of-contact. He will include the checklist used, weaknesses detected, plan of corrective action with milestones, the date the checklist was used, and a point of contact for further coordination.

8. Reports:

a. CESAS-RM-RS is responsible for ensuring that all Management Control reports are prepared IAW AR 11-2 and other applicable guidelines. The Internal Review Office will assist CESAS-RM-RS by reviewing the Annual Assurance Statement to ensure that recent audit and/or inspection results are reviewed for the existence of possible material weaknesses.

b. HQUSACE requires us to provide the Commander's Annual Assurance Statement to CESAD-RM-M in July. This report will be prepared by CESAS-RM-RS with the necessary assistance from the staff managers. Guidance for completing this report is in AR 11-2. Further guidance is provided by HQUSACE and CESAD. CESAS-RM-RS will notify the appropriate staff elements of any additional report requirements.

/s/
JOSEPH K. SCHMITT
COL, EN
Commanding

DISTRIBUTION C & D
Plus IM-PR (5)
RM-RS (10)

APPENDIX A

DEFINITIONS

1. Abuse. Intentionally wrongful or improper use of Government resources (for example, misuse of rank, position, or authority).
2. Assessable Unit Manager. Commander of the organization who provides the leadership and support needed to ensure that management controls are in place and operating effectively. Ensures that managers are trained and understand their management control responsibilities. Reports through the chain of command any material weaknesses in management controls, establishes and implements plans to correct those material weaknesses, and track progress in executing those plans until the material weakness is corrected.
3. Fraud. Intentionally misleading or deceitful conduct that deprives the Government of its resources or rights.
4. Management Controls. The mechanism, means, or actions employed by managers and supervisors to ensure that what they want done, gets, done, on a continuing basis. Management controls provide the aggregate of controls necessary to effectively and consistently accomplish the District Mission.
5. Management Control Administrator (MCA). The individual designated by the senior responsible official to administer the management control process for a reporting organization.
6. Management Control Points-of-Contact. A team member in a functional area who has been assigned, by his staff manager, to act as liaison with CESAS-RM-RS to carry out the responsibilities of AR 11-2.
7. Management Control Evaluation Checklist (MCEC). A list identifying the combination of management controls required for a specific function or subfunction based on an evaluation by the functional proponent of the general control environment, risk, control objectives, and cost factors. Managers use this

checklist as a guide in testing to ensure specified management controls are in place and working as intended.

8. Management Control Weakness. Absence of or noncompliance with any Management Control for accomplishing regulatory requirements.

9. Management Control Plan (MCP). The MCP is the written plan for conducting required management control evaluations within the assessable unit over a five-year period. The MCP is structured by functional area, list of governing ARs that identify key management controls, or other methods to be used for the evaluation.

11. Material Weakness. A Management Control Weakness that the manager considers to be of such magnitude that it must be reported to higher headquarters; any weakness that may cause an organization to fail to meet its mission requirement. (See paragraph 2-6, AR 11-2.)

12. Reasonable Assurance. An acceptable degree of confidence in the general adequacy of management controls to deter or detect material failures in complying with the Integrity Act objectives. The determination judgment based on the effectiveness of management controls and the extent of management control deficiencies and material weaknesses.

13. Resources. All items necessary to accomplish the District's missions. The term "resources" includes, but is not limited to, money, equipment, supplies, material, time, technology, information, and personnel.

14. Staff Managers. The Commander's functional principals who formulate policies and directives, provide advice, and maintain oversight of broad areas. Examples: Chief, Engineering Division; Chief, Resource Management Office; Chief, Real Estate Division.

15. Waste. To consume, spend, or employ uselessly or without adequate return.

APPENDIX B

MANAGEMENT CONTROL & MATERIAL WEAKNESSES

1. A Management Control Weakness is the absence of or noncompliance with any Management Control for accomplishing regulatory requirements.
2. A Material Weakness is any weakness or deficiency that caused or might cause an organization to fail to meet its mission requirements or one that requires reporting to the next highest level.
3. Who determines that a weakness is material? When a weakness is found, the supervisor discusses the weakness with his Staff Manager to make the determination.
4. How do you determine that a weakness is material?
 - a. If the problem requires the attention or awareness of CESAD, it should be considered a material weakness.
 - b. Consideration of each of the following factors as significant or insignificant would help a manager determine if a weakness is material.
 - Actual or potential loss of resources.
 - Sensitivity of the resource involved.
 - Magnitude of funds, property, or other resources involved.
 - Actual or potential frequency of loss.
 - Current or probable media interest (adverse publicity).
 - Current or probable congressional interest (adverse publicity).
 - Unreliable information causing unsound management decisions.
 - Diminished credibility or reputation of management.
 - Impaired fulfillment of essential mission.

DR 11-1-4
APP B
20 Dec 00

- Violation of statutory or regulatory requirements.
- Impact on information security.
- Public deprivation of needed Government services.

c. Dollar significance is not the deciding factor in determining if a weakness is material. BUT if a loss of money were enough to cause a newspaper story, it would be wise to consider the material value. However, the sensitivity of a problem with small dollar impact may warrant reporting to CESAD.

d. Audit-type findings generally address weaknesses. The manager makes the final determination as to whether a finding warrants reporting as a material weakness.

5. Reporting, Correcting, Documenting Weaknesses:

a. Every management control weakness detected by any means, including the use of checklists, must be corrected as quickly as resources and essential mission priorities permit. Identifying, correcting, and reporting weaknesses is a responsibility of management at all levels.

b. The Supervisor must bring management control weaknesses to the attention of the Staff Manager at the earliest opportunity. These weaknesses must be reported even if corrective action has been completed. If the Supervisor and the Staff Manager determine that the weakness is material, the weakness will be reported to CESAS-RM-RS. The form and instructions for reporting are attached.

c. Upon advisement of a weakness, the Staff Manager will: evaluate the adequacy of corrective actions taken or planned, effect any needed changes, provide assistance when needed to achieve corrective actions, and provide a copy of the material weakness to CESAS-RM-RS to record for use in the Annual Assurance Statement to CESAD, and track through completion of all corrective actions. (These actions should not duplicate the

normal recording and tracking functions of the Internal Review Office).

d. CESAS-RM-M will, upon receipt of material weakness from Staff Manager, coordinate evaluation of the weakness with the Executive Office to determine if the weakness should be included with the Annual Assurance Statement to CESAD.

e. CESAD must reconsider the materiality of a reported material weakness relative to the South Atlantic Division. CESAD will evaluate the weakness and determine whether the weakness should be forwarded with the Division-wide Annual Assurance Statement to USACE. If the material weakness is forwarded to USACE, CERM will determine its Corp-wide impact and, if warranted, forward the weakness to the Secretary of the Army.

f. CESAS-RM-RS will maintain the status of each material weakness included in the District's Annual Assurance Statement to CESAD.

APPENDIX C

INSTRUCTIONS FOR MATERIAL WEAKNESSES FORMAT

Local ID#: Your organizations
Identification # for the MW _____

Title and Description of Material Weakness: The title should be short. The description should permit a full understanding of the problem, its cause and impact by a member of **Congress or the general public**. (If a material weakness was previously reported as corrected and must be reopened, it should **not** be reported as a weakness. The material weakness should retain it's earlier title and identification number with a parenthetical notation in the description that it was previously reported as closed in the FY XX annual assurance statement).

Functional Category: Cite one of the broad DoD functional categories shown at Attachment 3 (extracted from DoDI 5010.40).

Pace of Corrective Action:

Year Identified: The FY the weakness was **first** reported in your assurance statement.

Original Targeted Correction Date: The FY that correction was targeted for when the weakness was **first** reported.

Targeted Correction Date in Last Year's Report: The FY that correction was targeted for in last year's report. If this is a **new** weakness, enter "N/A".

Current Target Date: The FY that correction is now targeted for. If this is a **new** weakness, enter "N/A".

Reason for Change in Date(s): If the "**Current Target Date**" is later than the "**Targeted Correction Date in Last Year's Report**", explain what caused this change. If these two items are the same date or "N/A", enter "N/A".

DR 11-1-4
APP C
20 Dec 00

Component/Appropriation/Account Number: Component is "Army".
Identify the appropriation(s) and account number(s) associated
with this correction (Ex: Army/Other Procurement, Army/Acct #).

Validation Process: Indicate the method to be used to validate
the effectiveness of the corrective actions and the **date** it will
take place.

Results Indicators: Describe the beneficial results that have
been or will be achieved for the Army by the corrective actions,
using quantitative and/or qualitative measures.

DR 11-1-4
20 Dec 00

DR 11-1-4
APP D
20 Dec 00

Material Weakness Format

Title and Description of Material Weakness:

Functional Category:

Pace of Corrective Action:

Year Identified:

Original Targeted Correction Date:

Targeted Correction Date in Last Year's Report:

Current Target Date:

Reason for Change in Date:

Component/Appropriation/Account Number:

Validation Process:

Results Indicators:

Source(s) Identifying Weakness:

Major Milestones in Corrective Action:

a. Completed Milestones:

Date: Milestone:

b. Planned Milestones: (FY00)

Date: Milestone:

c. Planned Milestones: (Beyond FY00)

Date: Milestone:

Point of Contact: