

Army Programs

Management Control

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History. This UPDATE printing publishes a new Change 4, which is effective 31 October 2004. The strikethrough and underscore method has been used to highlight changes. This change extends the expiration date until 31 October 2005.

Summary. This circular outlines the United

States Army Recruiting Command's implementation of the Army's management control process.

Applicability. The responsibility for monitoring management controls is applicable to all personnel, elements, and levels of command. Reporting requirements will be carried out by Headquarters, United States Army Recruiting Command directorates and special staff sections; the United States Army Recruiting Support Battalion; recruiting brigades; and recruiting battalions.

Proponent and exception authority. The proponent of this circular is the ~~Chief of Internal Audit~~ Assistant Chief of Staff, G-4/8. The proponent has the authority to approve exceptions

to this circular that are consistent with controlling law and regulation.

Suggested improvements. The proponent agency of this circular is the ~~Office of the Chief of Internal Audit~~ Assistant Chief of Staff, G-4/8. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) directly to HQ USAREC (RCCS RLM-IA), Fort Knox, KY 40121-2726.

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Chapter 1

The Management Control Process

1-1. Purpose

This circular outlines the United States Army Recruiting Command's (USAREC's) implementation of the Army's management control process. It prescribes policy, standards, responsibilities, and accountability for establishing and maintaining effective management controls. It also outlines reporting requirements and checklist usage.

1-2. References

For required and related publications and blank forms see appendix A.

1-3. Explanation of abbreviations and terms

Abbreviations and special terms used in this circular are explained in the glossary.

1-4. General

a. The management control process is the means that managers use to regulate and guide their operations and programs (i.e., to ensure the job gets done, as intended). The management control process is essential to achieving the proper conduct of Army operations in a professional and businesslike manner. When exercised with a prudent, common sense, set of standards, the management control process permits adequate protection and accountability for the resources entrusted to management. The controls facilitate achievement of management objectives by serving as checks and balances against undesired actions. Equally as important, sound management controls provide reasonable confidence (for all levels of management) that essential operations and requirements are being accomplished every day in an

effective and economical way.

b. Guidance provided herein, along with a copy of AR 11-2, will prepare all managers with the necessary information to determine whether programs or resources within their scope of authority are being reasonably protected from waste, abuse, or mismanagement. Other references in appendix A are provided as guides to the management control process, but are not intended to be used as tools when implementing the program. The required annual reporting system provides the USAREC Commanding General (CG) with reasonable assurance and supports the Command Management Control Annual Assurance Statement to the Secretary of Defense each year.

1-5. Responsibilities

a. The Secretary of the Army (SA) will report the status of the Army's management controls to the Secretary of Defense.

b. The Assistant Secretary of the Army (Financial Management) (ASA(FM)) has overall responsibility for implementing the Army management control process. The ASA(FM) has delegated responsibility to the Deputy Assistant Secretary of the Army (Financial Operations), as executive agent, for providing overall guidance and direction for implementing the Army's management control process.

c. The Director, Management Control and Evaluation Programs, will:

(1) Formulate Army policy for implementing the Integrity Act and issue administrative guidance and instructions.

(2) Analyze documents from the Congress, the General Accounting Office (GAO), the Office of Management and Budget (OMB), the Comptroller General, the Office of the Secretary of Defense, and others related to the Integ-

*This circular supersedes USAREC Circular 11-1, 8 September 1994.

Act, to identify and effect needed changes to the Army's management control process.

(3) Advise and represent the ASA(FM) on matters involving the Army management control process.

(4) Provide guidance and technical assistance directly to management control administrators (MCA) at Headquarters, Department of the Army (HQDA) and major Army commands (MACOMs).

(5) Prepare and staff the SA's annual statement on management controls and provide mid-year updates as required on previously-reported material weaknesses.

(6) Coordinate with the United States Army Audit Agency and HQDA functional proponents on the identification of management control weaknesses that merit reporting as material weaknesses in the SA's annual statement.

(7) Develop management control training materials for use by reporting organizations and their assessable units (AUs); Army schools that provide executive development and management training; and audit, inspection, and other organizations whose personnel assess the effectiveness of management controls.

(8) Develop and maintain a tracking system to ensure that material weaknesses reported in the SA's annual statement are corrected in a timely manner.

(9) Develop and staff the Army position on GAO, United States Army Audit Agency, Department of Defense (DOD) Inspector General (IG), and similar organizations' reports on the overall Army management control process.

(10) Develop and maintain an inventory of Army AUs, based on input from the HQDA staff and MACOMs.

(11) Develop, maintain, and distribute annually an inventory of functional areas with key management controls.

d. All commanders and managers will:

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

(2) Enforce accountability for compliance with GAO standards, daily and periodic formal use of checklists, and inclusion of responsibilities in performance agreements.

(3) Establish corrective action plans and milestone dates; ensure prompt correction of management control deficiencies, with priority emphasis on material weaknesses; and evaluate the effectiveness of the improved management controls or compliance before reporting weaknesses as corrected.

e. The CG USAREC will:

(1) Establish and evaluate the management control process in his or her organization to meet the objectives of the management control process.

(2) Provide annual feeder statements on the status of management controls following current guidance issued by the Deputy Assistant Secretary of the Army (Financial Operations).

(3) Establish and meet milestone dates to correct material weaknesses within the command.

(4) Provide updates on the status of each material weakness included in the SA's annual statement when requested by the Office of the

Secretary of the Army (Financial Management).

(5) Designate an organization to be responsible for the management control process at Headquarters, United States Army Recruiting Command (HQ USAREC) to manage management controls for the command.

f. Chief of Internal Audit will:

(1) Serve as the command proponent for the management control process as designated by the USAREC CG, and will appoint an MCA to monitor requirements in accordance with HQDA policy.

(2) Ensure management officials at all levels are aware of their management control responsibilities; and ensure accountability for the success or failure of management control practices as reflected in performance agreements of appropriate military and civilian managers.

(3) Require that management control evaluations be used at applicable AUs throughout the command on a day-to-day basis, as well as formally, to evaluate each applicable subtask as required by the Management Control Plan.

(4) Evaluate material weaknesses in subordinate organizations to identify commandwide problems; and monitor all management control problems reported by subordinate organizations to ensure priority accomplishment of corrective actions.

(5) Ensure effective quality controls for the accuracy for feeder information used for annual reporting to the SA.

(6) Designate an MCA to serve as the central point of contact for the command on all management control matters, and accomplish requirements covered by the checklist for AR 11-2.

g. HQ USAREC MCA will:

(1) Ensure that all persons with primary responsibility establish and maintain an effective management control process in accordance with AR 11-2 (to include all published checklists).

(2) Develop and maintain a master inventory of management control evaluation checklists, the employing unit, and any identified material weaknesses.

(3) Advise operating managers of new management control evaluation checklists as they are published and designate AUs responsible for completing the checklists.

(4) Review audits and/or inspection reports to identify potential material weaknesses and coordinate them as required.

(5) Receive and review material weaknesses and determine if those weaknesses are reportable to HQDA as a commandwide weakness.

(6) Coordinate and finalize the preparation of the annual feeder statements following current guidance issued by the Office of the Secretary of the Army (Financial Management).

h. The role of audits and inspections. The audit community plays a key role in better identifying specific management control weaknesses and in determining whether effective prompt actions are taken to correct management controls of problem areas. The results of completed checklists, along with the results of audits, inspections, investigations, quality assurance (QA) visits, and management studies will all be considered as input data on annual

reports. HQ USAREC IG, Internal Audit (IA), and QA teams will:

(1) Review management controls during audits and inspections and comment on those controls, if noteworthy, in the resulting report.

(2) Provide the HQ USAREC MCA (RCCS-IA RCRLM-IA) with audit and/or inspection findings when the information could result in a reportable command material weakness.

(3) Based on inspection findings, nominate command material weakness for possible reporting to the SA in the USAREC Annual Assurance Statement.

(4) Randomly audit completion of checklists and determine if scheduled followup on material weaknesses has been adequately completed as required by regulation.

i. All HQ USAREC directors, designated managers, and special staff areas will:

(1) Ensure proper controls are in place and operational, to the best of their knowledge.

(2) Ensure that management control responsibilities are placed in job descriptions and performance standards of those managers and supervisors identified at table 1-1 and the glossary.

(3) Be alert to problems within their span of control and take measures to correct them or request assistance as required to eliminate or control the problem area.

(4) Provide any additional information that may prove helpful in the elimination of a real or potential problem.

j. Recruiting brigade (Rctg Bde) commanders, and the Commander, United States Army Recruiting Support Battalion (RSB), and Commandant of the Golden Knights will ensure that management control responsibilities are placed in job descriptions and performance standards of those managers and supervisors identified at table 1-1 and the glossary; and designate a person to function as point of contact for program actions as required. The Rctg Bde management control process office of primary responsibility (OPR) is normally located within the comptroller organization. Rctg Bde and RSB management control process points of contact will:

(1) Monitor management controls within his or her organization to meet the objectives of the command management control process.

(2) Act as management control liaison between the headquarters MCA and recruiting battalion (Rctg Bn) points of contact.

(3) Notify HQ USAREC (RCCS-IA RCRLM-IA), Fort Knox, KY 40121-2726, annually of the number of management control evaluation checklists used at Rctg Bde and Rctg Bn levels, identify specific checklists and number of operating managers applying the checklists as well as identify the number and type of staff visits that monitored procedures in each reporting period. Complete DA Form 11-2-R (Management Control Evaluation Certification Statement) certifying that the required management control evaluation has been conducted.

(4) Identify all material weaknesses to HQ USAREC found within the Rctg Bde in the preceding 12 months during each reporting period. If a problem or weakness is discovered upon completing a checklist, it should be identified

through the chain of command without waiting for the formal annual report submission.

(5) Provide the state of followup action(s) on each material weakness reported to HQ USAREC.

(6) Indicate to HQ USAREC whether a material weakness trend exists within the Rctg Bde or its Rctg Bns, or determine if the activity only requires some staff assistance.

(7) Monitor the correction of those material weaknesses within the purview of the Rctg Bde functional area or recommend that corrective action can be taken at a higher level.

(8) Recommend ways to improve the economy and efficiency of the management control process.

(9) Identify to HQ USAREC areas where management controls are nonexistent or inadequate.

k. Rctg Bn commanders will:

(1) Appoint a management control action officer to handle all management control actions regarding the Rctg Bn. Primary responsibility will be within the Rctg Bn unless he or she is designated by the Rctg Bn commander to assume responsibility for liaison action to recruiting company and recruiting station level.

(2) Ensure that management control responsibilities are placed in job descriptions and performance standards of those managers and supervisors identified in table 1-1 and the glossary.

(3) Report to Rctg Bde all checklists that managers have completed during each designated reporting period. The report will identify any weakness within their system, the specific checklist used, and will identify the number of operating managers applying the checklist. Complete DA Form 11-2-R certifying that the required management control evaluations have been completed. Rctg Bns will also identify the number and type of staff visits that monitored procedures in the indicated reporting period (i.e., IG inspections, QA visits, study or manpower survey teams, or audits).

(4) Ensure that adequate management controls are in place in all subordinate organizations. The AU for management controls is defined as the organizational entity responsible for applying a management control evaluation

checklist. Within USAREC, the lowest AU for management control purposes is normally at the Rctg Bn level.

(5) Annually provide the status of followup actions and projected or actual completion dates for corrective actions on each material weakness reported to Rctg Bde.

(6) Identify areas where management controls are nonexistent or inadequate. Management controls may be the weakest where one regulation stops and another picks up.

l. Individual accountability for management controls. All persons in the command are accountable to safeguard Government assets, within their span of control, and be alert and watchful to potential problem areas. While designated personnel have mandatory management control standards written into their performance requirements, when necessary, significant successes or failures in performing management control responsibilities should be documented in the performance reports of all individuals.

Chapter 2 Management Control Standards

2-1. Management control standards

a. The Comptroller General of the US established standards for defining the minimum level of quality acceptable for management control systems in operation. These standards constitute the criteria against which systems are to be evaluated. Ensuring that management controls in each organization are in conformance with the 12 GAO standards as listed below:

(1) *Reasonable assurance* provides that the objectives of the systems will be accomplished. This standard recognizes that the cost of management controls should not exceed the benefit derived. Therefore, reasonable assurance equates to a satisfactory level of confidence under given considerations of cost, benefit, and risk. These objectives may change as resources are increased or decreased due to budget revisions and other priorities.

(2) *A supportive attitude* is to be maintained and demonstrated by managers toward management controls at all times. Attitude is not reflected in any one particular aspect of a manager's behavior, but rather it is nurtured by

a manager's commitment and general leadership to promote strong controls for organizational staffing, personnel practices, communications, protection and use of resources through systematic accountability, monitoring, and systems of reporting. Another way for management to demonstrate support for management controls is by emphasizing the value of internal audits. It is very important for managers at all levels to establish clear lines of authority and responsibility, appropriate reporting relationships, appropriate separation of authority, and the general sensitivity of employees to the importance of management controls.

(3) *Competent personnel*. This standard requires managers and employees to have personal and professional integrity. Many elements influence the integrity of managers and their staffs. For example, personnel should periodically be reminded of their obligations under an operative code of conduct. Additionally, overall performance appraisals and efficiency ratings for applicable managers should include an assessment of how well the individual has devised, implemented, and sustained essential management controls.

(4) *Control objectives* are to be identified and/or developed and are to be logical, applicable, and reasonably complete. The objectives should be tailored to fit the specific operations and should be consistent with overall objectives of management controls as set forth in the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

(5) *Control techniques* are to be effective and efficient in accomplishing management control objectives. Management control techniques are the mechanisms by which control objectives are achieved. Techniques include, but are not limited to, specific policies, procedures, organization arrangements (including separation of duties, reconciliation, suspense, and physical observation actions), as well as essential physical measures (such as locks and fire alarms). To be effective, techniques should fulfill their intended purpose in actual application, provide necessary coverage, and operate when intended. As for efficiency, techniques should be designed to derive maximum benefit with minimum effort.

**Table 1-1
Management control responsibilities in performance standards**

COMMAND LEVEL	COMMANDER	DEPUTY COMMANDER	CHIEF OF STAFF	XO	DIRECTOR, DEPUTY DIRECTOR, AND SPECIAL STAFF SECTION CHIEF	DIVISION CHIEF	ADMIN OFFICER	OPS OFFICER
HQ USAREC	X	X	X		X	X		
RSB	X	X				X		
RCTG BDE	X	X	X			X		
RCTG BN/GOLDEN KNIGHTS	X			X			X	X

(6) *Documentation* of management control systems and all transactions should be clearly documented and readily available for examination. This standard requires written evidence of management control objectives, techniques, accountability systems, and all pertinent aspects of transactions and significant events. This written evidence should be purposeful and useful to managers in controlling their operations and to others involved in analyzing operations.

(7) *Recording of transactions and events* must be promptly and properly classified. Transactions must be promptly recorded if pertinent information is to maintain its relevance and value to management in controlling operations and making decisions. Proper classification of transactions and events is crucial to organizing and formatting information on summary records from which reports and statements are prepared.

(8) *Execution of transactions and events* can only be empowered by persons acting within the scope of their authority. This standard deals with management decisions to exchange, transfer, use, or commit resources for specified purposes under specific conditions. Authorization should be clearly communicated to designated individuals and should include the specific conditions and terms under which responsive actions are intended. This means that personnel are carrying out their assigned duties according to Army regulations and established command policies.

(9) *Separation of duties* in authorizing, processing, recording, and reviewing transactions are key responsibilities and should be separated among individuals. To reduce the risk of error, waste, or wrongful acts, or to reduce the risk of those acts of going undetected, no one individual should control all key aspects of a transaction or event cycle.

(10) *Supervision* is to be provided to ensure that management control objectives are achieved. This standard requires clearly communicating the duties, responsibilities, and accountabilities assigned to each employee. Additionally, managers must guide and train their personnel to ensure that error, waste, and wrongful acts are minimized and specific management directives are achieved. Managers must continuously review and approve the assigned work of subordinates.

(11) *Access to and accountability for resources* is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. The basic concept behind restricting access to resources is to help reduce the risk of unauthorized use or loss to the Government, and to help achieve the directives of management. Periodic comparisons must be made of resources with the recorded accountability to determine if they agree. The frequency of these comparisons will be based on the perceived vulnerability of the asset.

(12) *Prompt resolution of audit findings* requires managers to promptly evaluate findings and recommendations reported by auditors; determine proper actions in response to audit findings and recommendations; and complete, within

established timeframes, all actions that correct or otherwise resolve the matters brought to management's attention. Audit findings and recommendations should be monitored through the resolution and followup process. Additionally, management should be kept informed through periodic reports, to ensure the quality and timeliness of individual corrective actions.

b. Specific management control standards applicable to all manual and automated accounting systems are in DOD 7720.9-M, chapter 14, and DFAS-IN Reg 37-1.

Chapter 3 General Requirements and Reporting Instructions

3-1. Minimum essential management controls

Minimum essential management controls are those controls which if implemented and sustained in applicable operations, will deter or detect noncompliance with minimum essential requirements and thereby minimize the incidence of material weaknesses being first identified by other than an operating manager. The command's implementation of the Integrity Act does not attempt to ensure standard controls for every requirement imposed on managers. If this were the case, there would be checklists for every requirement ever stated in every regulation. Instead, the command accepts the risk of having AU managers concentrate on the adequacy of general controls in conformance with the GAO standards and, as applicable, for the incremental minimum essential requirements of assigned checklists. The checklists have been developed by HQDA functional experts and have been formed with minimum essential requirements and necessary management controls joined. Additional control coverage may be added to the standard for local use, as deemed appropriate. However, supplementation is not mandatory.

3-2. Reasonable assurance

Reasonable assurance in the context of the Integrity Act equates to a satisfactory level of management confidence, that those management control systems within the area of responsibility are adequate and operating as intended. Inherently a management judgment, reasonable assurance recognizes acceptable levels of risk that cannot be avoided because the cost of controls could exceed the benefits derived. Subjectivity of this judgment can be reduced by considering the following key points:

a. High rate of understanding of and adherence to the 12 GAO standards must be exercised.

b. Pinpointed responsibility and accountability for management controls at the AU manager level.

c. Use of applicable checklists on a day-to-day basis.

d. Objective use of evaluations such as audits, inspections, and investigations.

e. The involvement of managers, at all levels, in the identification and correction of management control weaknesses, compliance with

the applicable checklists in conducting reviews, the quality of reporting, and other general actions for the detection and prevention of management control problems.

3-3. Identification and reporting of material weaknesses

a. Absence of or noncompliance with any management control constitutes a management control weakness. At the AU level the initial determination of a weakness as material or not is based on that manager's judgment of the relative significance of the problem. If the problem requires the attention or awareness of the next higher level of management for correction, it should be considered material and reported. The decision regarding materiality is then redetermined at each progressive echelon, potentially up to the SA.

b. Although not mandatory, considerations of each of the following factors could help a manager in the judgment call on whether the absence of or noncompliance with a management control, constitutes a material weakness:

(1) Actual or potential loss of resources; sensitivity of the resources involved; actual or potential frequency of loss; current or probable public or Congressional interest (adverse publicity); unreliable information causing unsound management decisions; diminished credibility of management; impaired fulfillment of essential mission requirements; and violations of statutory or regulatory requirements.

(2) Dollar significance is not always a deciding factor. Sometimes a relatively small dollar impact may warrant reporting to the next higher level of echelon. Managers inherently know what issues are important. Generally speaking, a perceived weakness costing five percent or more of a budget line item should be reported.

(3) Audit-type findings, from whatever source, should generally be addressed to the next higher level of echelon as a potential weakness. However, the final determination as to whether a finding or report warrants additional reporting as a material weakness, is solely a matter of management judgment.

c. 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 the responsibility of management at all levels. The format for reporting material weaknesses is contained in appendix C. Additionally, annual guidance is provided by the HQ USAREC MCA (RGS-IA RCRLM-IA).

3-4. Quality controls

Quality controls were established by the 1986 revisions of OMB Cir A-123 to ensure the accuracy of annual reporting. The office or person of primary responsibility at HQ USAREC, Rctg Bde, RSB, and Rctg Bn level are responsible for quality control of the management control process and the reporting process for their organization.

a. Rctg Bn point of contact will assure that all reports are completed accurately and will support the Rctg Bn commander's annual assur-

ance statement. Additionally, Rctg Bn point of contact will ensure that all applicable personnel complete mandatory checklists within 120 days of publication.

b. At RSB, Rctg Bde, and HQ USAREC the offices or personnel with primary responsibility for the management control process will review and consolidate report documentation prior to forwarding to HQ USAREC MCA annually; advise staff on compliance with GAO standards; track checklist usage for reporting purposes, and monitor outstanding reportable material weaknesses.

3-5. Documentation

Documentation is defined in OMB Cir A-123 as written material of two types:

a. Systems documentation, which is satisfied by the Army regulation guidance and the array of other means used to communicate operating requirements.

b. Review documentation, which shows the type and scope of review, the responsible official, the pertinent dates and facts, the key findings, and the recommended corrective actions. Review documentation used by USAREC is outlined in appendixes D and E and through the annual guidance provided by the HQ USAREC MCA (RCGS-IA RCRLM-IA).

3-6. Reporting instructions and formats

The USAREC CG is required to report to HQDA annually on the status of management controls within the command. This annual assurance statement details what has been done to substantiate a determination of reasonable assurance that internal accounting and administrative controls are adequate to achieve Integrity Act objectives. The statement must be traceable to pinpointed responsibility and accountability of managers. All primary reporting elements are required to provide information using the formats outlined in appendixes C, D, and E. Additionally, annual guidance will be provided by the HQ USAREC MCA (RCGS-IA RCRLM-IA).

Appendix A References

Section I Related Publications

AR 11-2

Management Control. (This is the regulation that implements DOD directives. It prescribes policies and guidance for the establishment, surveillance, and execution of the Army's management control process and is a required reference for all managers.)

AR 25-400-2 with USAREC Suppl 1 thereto

~~The Modern Army Recordkeeping System (MARKS)~~ The Army Records Information Management System. (This publication and its supplement provide procedures for the ~~Modern Army Recordkeeping System~~ Army Records Information Management System, the systematic identification, maintenance, retirement, and destruction of Army material.)

DFAS-IN Reg 37-1

Finance and Accounting Policy Implementation.

DOD 7720.9-M

Department of Defense Accounting Manual.

OMB Cir A-123

Management Accountability and Control. (This circular prescribes policies and procedures in establishing, maintaining, evaluating, improving, and reporting on management controls by executive departments and agencies.)

FMFIA

Federal Managers' Financial Integrity Act. (This act places the responsibility on all executive agencies to have both accounting and administrative controls in place, to perform ongoing evaluations, and to provide an annual statement reporting the results of these evaluations to the President and the Congress.)

Accounting and Auditing Act of 1950

Section 3512, title 31, United States Code. (Requires that each executive agency head establish and maintain systems of accounting and management control. These systems must conform to principles, standards, and related requirements prescribed by the Comptroller General of the United States.)

Section II Required Form

USAREC Fm 944

Annual Management Control Summary Report.

Section III Related Form

DA Form 11-2-R

Management Control Evaluation Certification Statement.

Appendix B
Management Control Responsibilities In Performance Standards

B-1. AR 11-2 implements OMB requirements regarding explicit statements of responsibility for management controls. Every Army manager is inherently responsible to exercise sound management controls. The degree and detail of the evaluation criteria should be tailored to each management level. Suggested job performance standards are:

- a. HQDA principals. These individuals should comply with paragraphs 1-7 and 1-12 of AR 11-2.
- b. MACOM commanders. These individuals should comply with paragraph 1-12 of AR 11-2.
- c. Senior responsible officials. These individuals should comply with paragraph 1-13 of AR 11-2.
- d. AU managers. These individuals should comply with paragraph 1-14 of AR 11-2.

B-2. The responsibility to accomplish this requirement rests with management. Upon assignment to any position that is designated an operating manager (reference table 1-1 and glossary), the inclusion of management control responsibilities in performance standards is to be accomplished within 120 days.

Appendix C

Guidance in Applying the Definition of Material Weakness

C-1. Material weakness

a. Material weakness must satisfy two conditions:

(1) It must involve a weakness in management controls (i.e., management controls are not in place, are not being used, or are inadequate). Resource deficiencies in themselves are not management control weaknesses.

(2) The weakness must warrant the attention of the next level of command, either because that next level must take action or because it must be aware of the problem. This requires a subjective management judgment, particularly in determining whether the next level of command must be aware of a weakness. The fact that a weakness can be corrected at one level does not exclude it from being reported to the next level, since the sharing of important management information is one of the primary reasons for reporting a material weakness.

b. A material weakness in Army management controls can be due to lack of an appropriate control, or more frequently, inadequate compliance with existing controls. These controls deal with all Army functions. They are not limited to financial or accounting matters. Due to the size and diversity of DOD and its component organizations, material weaknesses are considered at four levels:

(1) DOD material weakness. A weakness which exists in a majority of components, or which by its nature, is serious enough to merit reporting to the President and Congress.

(2) Army material weakness. A weakness which exists throughout the Army, or which by its nature, merits the attention of the Secretary of Defense.

(3) USAREC material weakness. A weakness which exists throughout the command, or which by its nature, merits the attention of the CG and Chief of Staff of USAREC.

(4) Activity material weakness. A weakness which exists throughout the activity, or which by its nature, merits the attention of the Rctg Bde or Rctg Bn commander.

c. Thus, what may be a material weakness at one level may not be a material weakness at the next higher level. At each level, however, material weaknesses share some common traits. All material weaknesses at any level must be reported to the next higher headquarters using the format at figure C-1. Material weaknesses have the potential to:

- (1) Impair fulfillment of the mission.
- (2) Violate statutory or regulatory requirements.
- (3) Deprive the public of needed Government services.
- (4) Result in adverse publicity or embarrassment.
- (5) Diminish credibility or reputation.
- (6) Endanger national security.
- (7) Lead to waste or loss of funds, property, or other resources.

C-2. Examples of possible material weaknesses

a. Maintenance and service contracts poorly administered and monitored (i.e., meals and lodging contracts, janitorial contracts, and equipment contracts).

b. Control of negotiable instruments (expired or unaccounted for bus and meal tickets).

c. Property book accountability—records incomplete.

d. Warehouse and supply operations—weak controls or poor management.

e. High unliquidated obligations and/or funds control.

f. Lack of job cross-training and/or unequal distribution of or unnecessary civilian training.

g. Excessive use of overtime and/or improper timecard posting.

h. Unsecured areas or equipment.

i. Insufficient review of temporary duty settlements, General Services Administration billings, or recruiter expense allowance claims.

j. Property management (i.e., an excess in lease termination penalties due to negligence of facilities over the normal wear).

k. Duties not separated so that no single individual can control transactions from beginning to end.

l. Current policies and procedures are not reflected in writing (i.e., regulatory documents not current).

Reporting Organization:

Date:

This material weakness:

Requires corrective action

Was discovered in a prior reporting period

31 Mar _____ (year)

Has been corrected
(See plan of corrective actions below)

Was discovered in this reporting period

Task or subtask code.

Short title of the material weakness.

Description of weakness. (Include estimates of dollar and operational significance of weakness.)

Weakness detected by (source).

Plan of corrective actions. (Taken already, or to be taken).

Action

Completion date

Submitting activity point of contact for further information:

Name
Official mailing address
Telephone number
(Specify DSN or commercial)

Figure C-1. Sample of a completed material weakness identification format

Appendix D Annual Management Control Summary Report

D-1. Instructions

The following are instructions for completing USAREC Fm 944 (Annual Management Control Summary Report) (see fig D-1):

a. Block 1. Specify if you are reporting for a directorate at HQ USAREC, the RSB, a Rctg Bde, or a Rctg Bn. Rctg Bdes will need to complete USAREC Fm 944 for Rctg Bde headquarters as well as a rollup of their Rctg Bns and themselves to submit to HQ USAREC.

b. Block 2. The period ending will be 30 September with the current calendar year even though the submission dates are actually earlier.

c. Blocks 3 and 4. State name of official preparing the report (it can be the management control point of contact or the organization's appointed point of contact), title, and DSN or commercial telephone number in case there are any questions about the report.

d. Block 5. Refer to table 1-1 and the glossary for those managers their headquarters has designated as appropriate.

e. Block 6. For all designated positions, report on how many have standards written into their performance standards or ratings.

f. Block 7. Report the number of HQDA checklists your organization has been tasked to complete in this reporting period based on currently published checklists. (This is the list provided by the HQ USAREC MCA.)

g. Block 8. The AU of each Army regulation checklist will be provided to you in the tasking letter as stated above. (Use worksheet at fig D-1, total column C.)

h. Block 9. Respond with the number of checklists you have completed, of those you were required to complete this reporting period. (Use worksheet at fig D-1, total column D).

i. Block 10. Subtract the number in column D from the number in column C, and this will give you the number delinquent. Use the remarks area to state why all were not completed and provide milestones for completing them (by Army regulation). If you have asked more managers to complete a checklist than required, you have a positive number and your answer will be "0" delinquent.

j. Block 11. Report the total number of times that existing QA type checklists have been used in your organization to verify the adequacy of management controls during this reporting period. Users should take maximum advantage of the use of this type of checklist during the transition period while functional proponents are developing management control evaluation checklists. This figure can be any checklists you have developed, or those used by the management control process, QA, IA, or Enlistment Standards.

k. Block 12. Report the number of material weaknesses your organization is reporting this period.

l. Block 13. Report the number of material weaknesses that were not finalized as of last report submission. Total blocks 11 and 12 to get total weaknesses requiring action.

m. Block 14. Provide the number of material weakness actions you now can report as corrected.

n. Block 15. Report the number of material weaknesses for which corrective actions are behind schedule. State reason why in remarks.

o. Blocks 16 through 19. Report the number of times your organization has been reviewed or inspected in the previous 12 months (i.e., IG or QA inspections, enlistment standards checks, audits, management studies).

p. Block 20. Use the remarks section to explain any of the asterisked areas indicated on the summary sheet or use it to provide any additional information you feel necessary for this report submission.

q. Block 21. The organization approving official can be the same person that approves and signs the management control annual assurance statement.

r. Block 22. Rctg Bdes will check this box when they complete this form as a Rctg Bde and Rctg Bn rollup for submission to the MCA at HQ USAREC.

D-2. Responsibilities

a. Rctg Bdes will:

(1) Complete USAREC Fm 944 for the Rctg Bde using reverse side of the form reflecting status of management controls at Rctg Bde headquarters.

(2) Review individual Rctg Bn annual summary report submissions.

(3) Summarize Rctg Bde and Rctg Bn information on one sheet (indicate as rollup at block 22).

(4) Submit:

(a) A rollup summary sheet of both Rctg Bde and Rctg Bn information.

(b) A Rctg Bde summary sheet and worksheet providing information specific to the Rctg Bde headquarters.

(c) The summary sheets and worksheets provided by their Rctg Bns.

(5) The information should be sent to HQ USAREC (RGGS-IA RCRLM-IA) as an enclosure to the 30 September annual statement submission.

b. Rctg Bns will:

(1) Complete USAREC Fm 944 for their Rctg Bn using reverse side of form reflecting status of management controls at Rctg Bn.

(2) Submit USAREC Fm 944 to the Rctg Bde for review and submission to HQ USAREC prior to date requested.

ANNUAL MANAGEMENT CONTROL SUMMARY REPORT (For use of this form see USAREC Cir 11-1)	
1. REPORTING ORGANIZATION: XX Battalion	2. PERIOD ENDING: 30 Sep 99
3. PREPARED BY: MAJ John F. Kennedy	4. TELEPHONE NUMBER: DSN 536-XXXX
MANAGEMENT CONTROLS IN PERFORMANCE STANDARDS	
5. NUMBER OF MANAGERS HAVING SIGNIFICANT MANAGEMENT CONTROL RESPONSIBILITIES IN MY ORGANIZATION (REFER TO USAREC CIR 11-1, TABLE 1-1 AND GLOSSARY):	4
6. NUMBER OF MANAGERS WITH MANAGEMENT CONTROL RESPONSIBILITIES IN PERFORMANCE STANDARDS:	4
SUMMARY OF PROGRESS IN USE OF MANAGEMENT CONTROL EVALUATION CHECKLISTS (OR ALTERNATE MEASURES)	
7. TOTAL NUMBER OF HQDA CHECKLISTS THIS ORGANIZATION IS REQUIRED TO COMPLETE THIS REPORTING PERIOD AS DESIGNATED BY THE HQ USAREC, MANAGEMENT CONTROL ADMINISTRATOR:	1
8. TOTAL NUMBER OF ASSESSABLE UNITS DESIGNATED BY THE HQ USAREC, MANAGEMENT CONTROL ADMINISTRATOR TO COMPLETE THESE CHECKLISTS (see reverse, column C total):	4
9. NUMBER OF ASSESSABLE UNITS IN MY ORGANIZATION RESPONSIBLE TO APPLY THIS CHECKLIST (see reverse, column D total):	4
10. NUMBER OF INSTANCES WHERE USE OF PUBLISHED CHECKLISTS IS DELINQUENT, IF ANY, WHY?*(see reverse):	0
11. NUMBER OF TIMES EXISTING CHECKLISTS (not developed based on management control system procedures and standards) USED TO MONITOR THIS ORGANIZATION THIS REPORTING PERIOD:	3
STATUS OF MATERIAL WEAKNESSES	
12. NUMBER OF MATERIAL WEAKNESSES YOUR ORGANIZATION IDENTIFIED THIS REPORTING PERIOD:	0
13. NUMBER OF MATERIAL WEAKNESSES "OPEN" FOR WHICH MY OFFICE HAS RESPONSIBILITY FOR FOLLOWUP FROM LAST REPORT:	0
TOTAL WEAKNESSES REQUIRING ACTIONS	0
14. NUMBER CORRECTED (FINALIZED) THIS REPORTING PERIOD:	0
15. NUMBER FOR WHICH CORRECTIVE ACTION IS BEHIND SCHEDULE (IF ANY), WHY?*	0
USE OF MANAGEMENT CONTROL ALTERNATIVE MEASURES	
16. NUMBER OF QUALITY ASSURANCE VISITS THIS REPORTING PERIOD:	0
17. NUMBER OF IG INSPECTIONS THIS REPORTING PERIOD:	1
18. NUMBER OF MANAGEMENT STUDIES LOOKING AT THIS ORGANIZATION IN LAST 12 MONTHS:	0
19. NUMBER OF AUDITS THIS ORGANIZATION WAS SUBJECT TO IN LAST 12 MONTHS.	0
20. REMARKS*: No reportable findings	
21. APPROVING OFFICIAL:	DATE:
22. RCTG BDE ROLLUP: <input style="width: 80px; height: 20px;" type="text"/>	RCS RCRM 15 (1987) FEEDER TO RCS DD-COMP (AR) 1618

USAREC Fm 944, Rev 1 Oct 94 (Previous editions are obsolete)

Figure D-1. Sample of a completed USAREC Fm 944

MANAGEMENT CONTROL WORKSHEET FOR

INSTRUCTIONS: Complete and submit the worksheet as back-up to your summary report.

CHECKLISTS WERE COMPLETED FOR THE FOLLOWING HQDA CHECKLISTS.

LIST AR	CHECKLIST SUBJECT	# OF ASSESSABLE UNITS IN MY ORGANIZATION RESPONSIBLE TO APPLY THIS CHECKLIST (as designated by HQ USAREC)	# OF ASSESSABLE UNITS THAT HAVE APPLIED THIS CHECKLIST
1. AR 37-106	Military Orders/TDY Tvl Orders	4	4
2. _____	_____	_____	_____
3. _____	_____	_____	_____
4. _____	_____	_____	_____
5. _____	_____	_____	_____
6. _____	_____	_____	_____
7. _____	_____	_____	_____
8. _____	_____	_____	_____
9. _____	_____	_____	_____
10. _____	_____	_____	_____
11. _____	_____	_____	_____
12. _____	_____	_____	_____
13. _____	_____	_____	_____
14. _____	_____	_____	_____
15. _____	_____	_____	_____
16. _____	_____	_____	_____
17. _____	_____	_____	_____
18. _____	_____	_____	_____
19. _____	_____	_____	_____
20. _____	_____	_____	_____
COLUMN A	COLUMN B	COLUMN C	COLUMN D

REMARKS: This checklist was completed Feb 96.

TOTAL: 4

USE OF THIS TOTAL FOR SUMMARY SHEET QUESTION #8

TOTAL: 4

USE OF THIS TOTAL FOR SUMMARY SHEET QUESTION #9

Figure D-1. Sample of a completed USAREC Fm 944 (Continued)

Appendix E

Operating Manager's Annual Assurance Statement Preparation Instructions

E-1. Each year, the CG USAREC, is required to submit to HQDA, the status of management controls within the command. In order to support his or her assurance statement, input is required from all staff principles (i.e., HQ USAREC directors and special staff sections, RSB, and Rctg Bde and Rctg Bn commanders).

E-2. Format for the annual assurance statement with instructions are contained at figure E-1. Based upon location conditions, modifications to the sample may be made by subordinate activities at the discretion of the commander.

E-3. The operating manager's annual assurance statement is due to HQ USAREC (RCCS-IA RCRLM-IA), the first Friday in August, dated 30 September. No exceptions will be granted.

E-4. For HQ USAREC, RSB, and Rctg Bde principles, enclosures to the annual assurance statement are:

a. USAREC Fm 944 for the period ending 30 September (see app D). Rctg Bdes summarize any significant reportable occurrences reported by their Rctg Bns.

b. All material weakness identification sheets being reported to HQ USAREC.

E-5. For Rctg Bn commanders, enclosures to the annual assurance statement are:

a. USAREC Fm 944 for period ending 30 September (see app D).

b. All material weakness identification sheets being reported to Rctg Bde.

(Use Appropriate Letterhead)

(Office Symbol)

MEMORANDUM FOR Commander, US Army Recruiting Command, ATTN: ~~RCCS-IA~~ RCRLM-IA, Fort Knox, KY
40121-2726 (see note 1)

SUBJECT: Operating Manager's Annual Assurance Statement, Fiscal Year ~~19~~20XX

1. As (commander/director) of the (name of organization), I am aware of the importance of management controls in all operational areas for which I am responsible. To provide reasonable assurance that management controls are adequate, I have:

a. Assigned responsibility and adequate resources to administer the Army Management Control Process within my organization.

b. Emphasized the importance of maintaining prescribed management controls to subordinate level managers and have included management control responsibilities in their performance standards and evaluation reports.

c. Directed use of management control evaluation checklists to verify that prescribed management controls are operating and have resolved cases where management controls were not fully operational. The Annual Management Control Summary Report is submitted as Enclosure 1.

d. Supplemented management control evaluation checklists to cover local unique operating procedures. (Use this statement if applicable.)

e. Have had a review made of material weaknesses discovered by this organization and included these in an established followup system for correction. The status on those previously reported to HQ USAREC, is also provided at Enclosure 1. New material weaknesses considered reportable to HQ USAREC are provided at Enclosure 2. I am committed to timely resolution of all open material weaknesses.

2. Based upon the above measures, with due consideration to material weaknesses identified at enclosures 1 and 2, management controls within the scope of my responsibility are adequate to provide reasonable assurance that (see note 2):

a. Property, funds, and other resources are safeguarded from fraud, waste, abuse, or misappropriation.

b. Adherence to applicable laws, regulation, and policies exist.

c. Obligations and costs are in compliance with applicable law.

d. The accuracy and reliability of information is such that management controls are not jeopardized.

e. Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

2 Encls

(Signature Block)
(see note 3)

NOTES:

1. Address memorandum as shown, Rctg Bns forward memorandums to Rctg Bde OPR for review; Rctg Bde and HQ USAREC directors submit to HQ USAREC (~~RCCS-IA~~ RCRLM-IA).

Figure E-1. Operating manager's annual assurance statement format

2. If reasonable assurance cannot be provided, say so. Provide reason(s) why, what is being done, and when reasonable assurance can be made.

3. May be signed by the commander or his or her designated representative. At HQ USAREC, it will be directors or their designated representatives.

Figure E-1. Operating manager's annual assurance statement format (Continued)

Glossary

Section I Abbreviations

ASA(FM)

Assistant Secretary of the Army (Financial Management)

AU

assessable unit

CG

Commanding General

DOD

Department of Defense

FMFIA

Federal Managers' Financial Integrity Act of 1982

GAO

General Accounting Office

HQDA

Headquarters, Department of the Army

HQ USAREC

Headquarters, United States Army Recruiting Command

IA

Internal Audit

IG

Inspector General

MACOM

major Army command

MCA

management control administrator

OMB

Office of Management and Budget

OPR

office of primary responsibility

QA

quality assurance

Rctg Bde

recruiting brigade

Rctg Bn

recruiting battalion

RSB

United States Army Recruiting Support Battalion

SA

Secretary of the Army

USAREC

United States Army Recruiting Command

Section II Terms

abuse

Intentionally wrongful or improper use of Government resources (i.e., misuse of rank, position, or authority).

assessable unit

An organizational entity responsible for accomplishing an Army subtask and applying the applicable management control evaluation checklist(s). An AU must have a pinpointed manager reasonably expected to directly oversee the effectiveness of management controls within the AU and, at the same time, have the authority to initiate any needed change or improvement to essential management controls. USAREC has designated AU to be:

- HQ USAREC directorates.
- Special staff (i.e., IA, Staff Judge Advocate).
- RSB.
- Rctg Bdes.
- Rctg Bns.

assessable unit manager

The military or civilian head of an AU. AU managers must be at least a colonel or GM-15, with the exception of Army garrisons, where an AU may be headed by the senior functional manager. The AU manager certifies the results of required management control evaluations.

control objective

A specific aim, goal, condition, or level of control that will provide reasonable assurance and confidence that the resources (personnel, property, money, and material) of an activity are effectively and efficiently managed. Control objectives are not absolutes. Management decisions on defining control objectives are affected by such factors as budget constraints, statutory and regulatory restrictions, staff limitations, and cost and benefits considerations. Thus, management deficiencies should be measured against currently "attainable" objectives defined by management.

event cycle

A series of steps that must occur to carry a process from a logical beginning to a logical ending.

fraud

Intentionally misleading or deceitful conduct that deprives the Government of its resources or rights.

management controls

The rules, procedures, techniques, and devices employed by managers to ensure that what should occur in their daily operations does occur on a continuing basis. Management controls include such things as the organization structure itself (designating specific responsibilities and accountability), formally defined procedures (e.g., required certifications and reconciliations), checks and balances (e.g., separation of duties), recurring reports and management reviews, supervisory monitoring, physical devices (e.g., locks and fences), and a broad array of measures used by managers to provide reasonable assurance that their subordinates are

performing as intended.

management control administrator

The individual designated by the senior responsible official to administer the management control process for a reporting organization. MCA designated at lower levels would have similar duties.

management control categories

There are two broad categories of management controls:

- Accounting controls. These relate to safeguarding assets and the reliability of financial reports.
- Administrative controls. These controls guide us every day and influence the environment in which we work. They have an effect upon employees' awareness of their responsibilities, create a positive organizational environment, act as incentive to employees to follow procedures, and provide reasonable assurance that the failure to perform assigned procedures will result in disciplinary actions.

management control evaluation checklist

One method for conducting a management control evaluation. The HQDA functional proponent may develop a standard checklist that addresses the key management controls and publish it in the governing Army regulation. The purpose of a management control evaluation checklist is to provide managers a tool to help them evaluate the effectiveness of these key management controls.

management control review

A detailed evaluation of a system of management controls to determine whether adequate control measures exist and have been properly implemented, to prevent or detect the occurrence of errors or irregularities in a cost-effective manner. The review will document the adequacy of control techniques employed to achieve control objectives.

management control standards

The 12 standards issued by the Comptroller General and GAO to be applied in devising, implementing, and sustaining management controls for all operations as outlined in AR 11-2.

material weakness

Absence of or noncompliance with any management control for accomplishing regulatory requirements, constitutes a management control weakness that must be corrected. If the problem requires the attention or awareness of the next higher level of management, it should be considered material and should be reported through the normal channels of communication whether the deficiency has been corrected or remains to be corrected. The decision regarding materiality is then redetermined at each progressive echelon, potentially up to the SA, based on each responsible manager's professional judgment.

minimum essential management controls

Those management controls which if imple-

mented and sustained in applicable operations, will deter or detect noncompliance with minimum essential requirements and thereby minimize the incidence of material weaknesses being first identified by other than an operating manager.

office of primary responsibility

The office or individual assigned to manage the management control process within the command. In the field, the program OPR is normally in the comptroller organization, but may be assigned to another office at the commander's discretion.

operating manager

These are individuals that carry out assigned direct missions and support functions on a daily basis. They may be civilian or military and are generally classified as supervisory personnel. They are responsible for testing management controls, using Army checklists, and for providing feedback to their OPR to support annual reporting requirements for providing information as required. Operating managers who require management control responsibilities in their performance standards and/or evaluation reports are shown at table 1-1. All managers are responsible for adhering to the 12 GAO standards.

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 of reasonable assurance is a management judgment based on the effectiveness of management controls and the extent of management control deficiencies and material weaknesses.

risk

The probable or potential adverse effects from inadequate management controls that may result in the loss of Government resources through fraud, error, or mismanagement.

risk assessment

A management review and resultant determination of the susceptibility of a subtask to waste, loss, unauthorized use, or misappropriation. Results of the risk assessment provide a basis for prioritizing more detailed reviews of management controls.

task or subtask

Segmentation of Army functions to execute the Army management control process. In effect subtasks are the "bite-sized" pieces of the overall Army mission normally executed by field operating managers.

waste

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