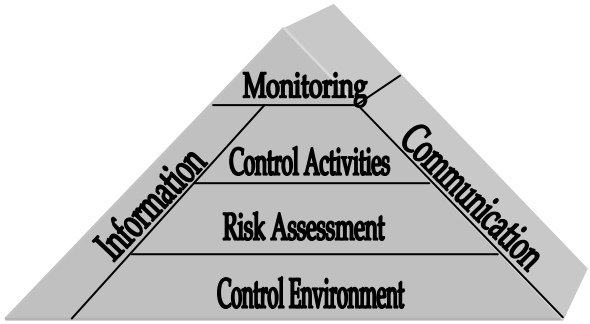
Guidance

1. Federal Managers' Financial Integrity Act of 1982
2. OMB Circular No. A-123, "Management's Responsibility for Internal Control," revised December 21, 2004
3. DoD Instruction 5010.40, "Managers' Internal Control Program (MICP) Procedures," re-issued July 29, 2010
4. GAO "Standards for Internal Control in the Federal Government," November 1999

Internal Control Standards



GAO Standards for Internal Control

1. Control Environment - establish and maintain a positive and supportive attitude toward internal controls;
2. Risk Assessment - identification and analysis of relevant internal and/or external risks associated with achieving agency objectives;
3. Control Activities - plans, policies, procedures, and techniques that help ensure actions are taken to address risks;
4. Information and Communications - relevant, reliable, and timely communications to management and others that enable an agency to achieve all its objectives; and
5. Monitoring - assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

Chief Information Officer Managers' Internal Control Program

Internal Control: Everyone's Responsibility; Essential to the Successful Achievement of Mission.

Published by: Chief Information Officer, Managers' Internal Control Program Office
July 2011

MHS MILITARY HEALTH SYSTEM
OCIO Office of the Chief Information Officer

Managers' Internal Control Program

Chief Information Officer MICP

Overview

The Chief Information Officer Managers' Internal Control Program (MICP) is a comprehensive program designed to implement effective and efficient internal controls on a day-to-day basis and to ensure compliance with all Federal, DoD, and Military Health System guidance.

Internal controls are policies, guidance, procedures or other organizational methods used to ensure the organization's mission is achieved. Assessable Units are subdivisions of an organization that allow for adequate internal control analysis.

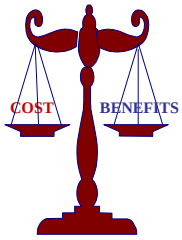
Risk management is a core process of the MICP. It includes identifying risk, assessing probability, assessing criticality and implementing appropriate controls to eliminate or minimize the outcome of risk and enhance management's decision making.

Self assessment reviews and testing provide the necessary analysis to determine the performance of and the means for correcting or improving internal controls. Effective and efficient internal controls are the end goal.

The CIO management and staff alike are committed to promoting sound business and financial management practices.

Cost Vs. Benefits

The CIO MICP is designed around internal controls that provide a reasonable return on investment, recognizing that:



Cost = Benefits

1. The cost of control should not exceed the benefits likely to be derived;
2. Evaluation of cost and benefits requires estimates and judgments by management; and
3. Resources must be used consistent with agency mission, in compliance with laws and regulations, and with minimal potential for fraud, waste, and mismanagement.

Chief Information Officer MICP Annual Processes

Review/Update MICP

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Develop Annual Internal Control Plan

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Review/Update Assessable Units

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Revalidate/Conduct Risk Assessments

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Conduct/Assess Internal Control Reviews

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Develop/Execute Corrective Action Plans

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Monitor Internal Control Corrective Actions

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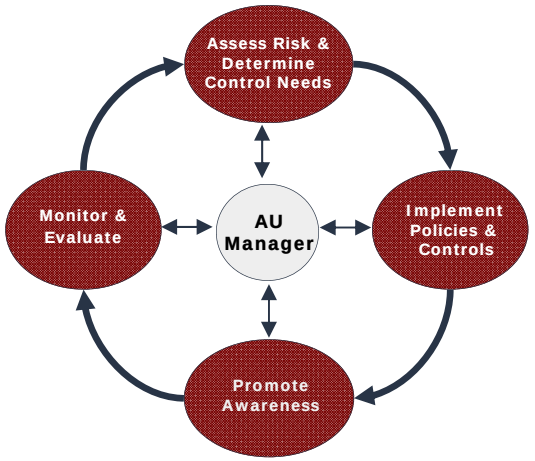
Submit Annual Statement of Assurance Report

Risk Management Cycle



The Assessable Unit (AU) Managers are also responsible for the Risk Management Cycle for their respective AU. Three important questions must be asked:

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

Internal Control Reviews

An Internal Control Review (ICR) is a detailed evaluation of an AU to determine if:

- Internal controls exist which govern the organization's activities;
- Resources are used consistent with the organization's mission;
- Internal control weaknesses are identified, corrected, and monitored;
- Laws, regulations, and other directives such as policies and procedures are being implemented as directed; and
- Internal controls are effective and efficient in preventing fraud, waste, and mismanagement.

A very important aspect of any review, Testing Internal Controls **allows managers to determine whether controls are functioning as intended.**