

***OTSG/HQ, MEDCOM
MANAGEMENT CONTROL PROCESS (MCP)***

OTSG/HQ, MEDCOM Internal Review and Audit Compliance Office



Phone: DSN 471-7120 or Commercial (210) 221-7120

**ARMY REGULATIONS
MANAGEMENT CONTROLS GUIDE**

September 1999 Edition

NOTE: The Army will not give the green light for publication of any Army regulation until the regulation is reviewed in accordance with AR 11-2, Management Control. DOD "Executive/Lead Agents" that report to OTSG must follow the same procedures for their respective instructions/regulations.

**AR 11-2, Management Control
Required For All Army Regulations**

1. **WHY DO THIS?** The Management Control Process (MCP) is required by public law and the U.S. Army uses AR 11-2, Management Control, to implement the law. The Assistant Secretary of the Army (Financial Management & Comptroller) (ASA (FM&C)) and U.S. Army Audit Agency will not give the green light for the publication of Army regulations if the requirements within AR 11-2, Management Control, are not met. Previously this process was called the Internal Control Program and then the Internal Management Control Program. The new AR 11-2, Management Control, dated 1 Aug 94, changed the name of the program from the Internal Management Control Program to the current "**Management Control Process.**" The revised AR 11-2 requires proponents of Army regulations to review their respective regulations and ONLY identify those "key essential management controls," if they exist, for inclusion in new evaluations. Evaluations will be published within Army regulations as an appendix. As of 30 Sep 95 the former evaluation checklists primarily published in DA Circulars all expired. The old checklists were deemed too costly and not effective because they typically required evaluation of almost all management controls instead of focusing on controls within a system that were essential for the system to operate.

2. **WHO CARES?** The past few years has shown that the MCP is of keen interest to Congress, Department of Defense and at the Army secretariat level. The Surgeon General/MEDCOM Commander has also expressed a firm commitment to having an effect MCP throughout the Army Medical Department. Accordingly, the MCP has become a priority for the U.S. Army Audit Agency as evidenced by their annual audit of the MCP and their report to the Secretary of the Army. Most importantly, failure on our part to effectively operate the MCP sends message to our leadership that Army medicine is not committed to effective management controls or responsible stewardship of our resources. We must take credit for what we have been doing and continue to do in respect to management controls throughout the Army medical department. We do not want our budget or personnel strength adversely affected because we did not send the right message when operating our MCP. In reports to the Secretary of the Army, the ASA (FM&C) and the U. S. Army Audit Agency have criticized OTSG for not adequately assessing regulations for key management controls. Especially in some areas that have a well known history of management control failures that have resulted in significant losses to the Government. Therefore, we must identify key essential management controls where they exist.

3. **ANY BENEFITS?** Yes! Before you look for key essential controls within your regulation, think about its purpose. Typically regulations stipulate polices, procedures and responsibilities so that Army systems and processes operate as intended. If those systems and processes were important enough to the Army for you to publish a regulation, how would you provide assurance periodically that they are working as intended Army-wide? Obviously you would need feedback on how the systems and processes are working throughout the Army in order to make improvements when necessary. The MCP periodic evaluation of key essential controls may be just what you need to provide that feedback because the evaluations focus on key essential controls. Key essential controls are those controls whose failure, or lack of use, would "break" or seriously impair the system or process. Therefore, a well designed management control evaluation of key essential controls can provide you with the feedback you need to ensure that systems and processes are working as intended and that resources are safeguarded from fraud, waste and misuse.

4. **YOUR TASK** when reviewing your regulation is to determine whether any key essential controls exist and whether or not a mandatory evaluation of those controls is necessary. Once you review your regulation and identify key controls that need periodic evaluation, you must next decide if there is an existing evaluation process used Army-wide that already assesses the key essential controls at least once every five years. If so, you must use the format shown on page four of this guide. If no existing evaluation process exists, you must develop an evaluation using the format on page six of this guide. Please keep in mind that if you decide any evaluation process is necessary, you will be imposing a mandatory requirement for its use Army-wide. Further, the evaluation will have to be performed a minimum of once every five years or more often if you decide it is necessary and cost effective. Shown on pages five and seven of this guide are sample evaluations. Page five shows an existing evaluation process that is used to evaluate key controls found within the regulation. Illustrated on page seven is a sample of an evaluation that was developed by the regulation proponent to evaluate key controls. **NOTE: If you report to OTSG and you are a Department of Defense (DOD) "executive/lead agent" and you are the proponent of any DOD Regulation/Instruction, you must use the review process within this guide.**

5. **RIGHT NOW**, if you haven't already done so, and preferably by E-Mail, provide your name, office, address, phone number, and regulation number to Mr. Timothy Fannin (timothy.fannin@cen.amedd.army.mil), OTSG/HQ, MEDCOM Internal Review and Audit Compliance Office (IRACO). IRACO administers the OTSG/HQ, MEDCOM Management Control Process. This responsibility includes coordinating with OTSG/HQ, MEDCOM personnel that are charged with writing and maintaining Army regulations for health care to ensure the requirements of AR 11-2 are met.

6. Please contact Mr. Tim Fannin or Mr. Rohm Thompson if you need assistance. Please call DSN 471-7120 or Commercial (210) 221-7120 or Commercial (210)221-7089, or write to CDR USAMEDCOM, ATTN MCIR, 2050 WORTH RD STE 18, FT SAM HOUSTON TX 78234-6018. Please fax information to DSN 471-7089 or Commercial (210)221-7089.

OTSG/ HQ, MEDCOM
GUIDE FOR REVIEWING REGULATIONS FOR
KEY ESSENTIAL MANAGEMENT CONTROLS

Reviewing your regulation for key essential controls is a two or three step process as follows:

STEP 1: Review your regulation, or your functional area(s) within the regulation, for any key essential management controls (see glossary of terms at page eight) and prepare a list of those key essential management controls. Key essential management controls are those controls that are absolutely essential to ensuring that critical processes operate as intended and that resources are safeguarded from fraud, waste and misuse. Various factors might be considered in deciding which controls are the key essential controls, but the fundamental criteria is the severity of adverse impact, should the control fail, or fail to be used (i.e., **a key control is one whose failure, or lack of use, would "break" or seriously impair the system.**) Keep in mind that any key controls you identify will result in those controls being evaluated by personnel employing those controls at least once every five years unless you decide that more frequent evaluation is necessary and cost effective. Accordingly, these management control evaluations impose a significant cost on Army managers and we only want those managers evaluating truly critical controls if they exist. **NOTE: Using the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) review guide may be helpful in identifying key controls. Yet, not all of the management controls addressed by JCAHO are key essential management controls. Further, your regulation may contain key controls not included in the JCAHO review guide.**

STEP 2: If you identified key controls, proceed to "step 3" now. However, if **no** key essential management controls exist in your regulation, please provide that information, preferably by E-MAIL, to Mr. Timothy Fannin or Mr. Rohm Thompson, OTSG/HQ, MEDCOM Internal Review & Audit Compliance Office. **In addition**, your regulation **must** include the statement that follows. ***"Army management control process. This regulation contains management control provisions, but does not identify key management controls that must be evaluated."*** This statement usually appears in the regulation on the title page between the paragraphs entitled "Proponent and exception authority" and "supplementation." **DOD "executive/ lead agents" and proponents of DOD instructions/regulations only:** ***"Management control process. This instruction/regulation contains management control provisions, but does not identify key management controls that must be evaluated."*** The exact location of this statement in the DOD instruction/regulation may differ from the Army, but, it should be included.

STEP 3: (a) If you identified key essential management controls, first compare the list of key controls you prepared with any existing evaluations already being performed Army-wide at least once every five years. If an existing evaluation that is performed Army-wide includes all of the key controls on your list, complete the evaluation format shown on page four of this guide. A completed example is shown on page five. If the existing evaluation covers most of the key controls, but not all of them, either revise the existing evaluation to include the missing key controls or proceed to "step 3 (b)."

(b) Use the format on page six of this guide to develop your evaluation using the list of key controls you prepared during your regulation review. A completed example is shown on page seven.

(c) Please send, preferably by E-Mail, your completed evaluation format (page four or six) to Mr. Timothy Fannin or Mr. Rohm Thompson, OTSG/HQ, MEDCOM IRACO, who will facilitate the review and approval by ASA(FM&C) and U.S. Army Audit Agency. The OTSG/HQ, MEDCOM IRACO will notify you when your evaluation format is approved or about any necessary changes. Also, your regulation **must** include the statement that follows. It usually appears on the title page between the paragraphs entitled "Proponent and exception authority" and "supplementation." ***"Army management control process. This regulation contains management control provisions and identifies key management controls that must be evaluated."***

DOD "executive/lead agents" and proponents of DOD instructions/regulations only: ***"Management control process. This instruction/regulation contains management control provisions and identifies key management controls that must be evaluated by Army organizations where it applies. Evaluation of these key management controls by other DOD components is encouraged. If other DOD components elect not to evaluate key management controls identified in this instruction/regulation, then evaluation of management controls must be accomplished in accordance with DOD Instruction 5010.38, Management Control (MC) Program.***

Appendix X *(leave blank)*
Management Control Evaluation Process

X-1. Function. *(indicate the function to be evaluated)*

X-2. Key Management Controls. *(list the key management controls to be evaluated)*

- a.
- b.
- c.

X-3. Management Control Evaluation Process. *(Briefly describe the existing management review process that is suggested or required for use in evaluating the key management controls identified above. For any process to be required, it must be an existing Army-wide/DOD-wide functional process for which the HQDA/DOD functional proponent is responsible. If no process is being suggested or required, indicate "None.")*

Figure 2-2.
Format of an appendix for a
management control evaluation process
not involving the use of evaluations

Appendix B (AR 40-3, Medical and Dental Programs)
Management Control Evaluation Process

B-1. Function. The function covered by this management control evaluation process is *Pharmacy Management*.

B-2. Key Management Controls.

a. Did the MTF Commander ensure compliance with the DOD Tri-service pharmacy policy guidance for dispensing medications?

b. Did pharmacy services ensure that only qualified persons compounded and/or dispensed pharmaceutical preparations?

c. Did pharmacy services implement an internal performance improvement process that demonstrated improvement in pharmacy services?

d. Did local procedures ensure that only authorized individuals wrote medication orders and/or prescriptions?

e. Except for the physician order entry via the Composite Health Care System (CHCS), did local procedures ensure that no prescription or order was filled in the pharmacy unless it bore the signature of an individual authorized to prescribe medications?

f. Did local procedures ensure that the guidance for inventory, control, and accountability of controlled substances was accomplished in accordance with Appendix B of this regulation.

B-3. Management Control Evaluation Process.

The Joint Commission on Accreditation of Healthcare Organizations (JCAHO) review will be the evaluation process used to evaluate the key management controls. The local pharmacy will coordinate with the Management Control Administrator to ensure that the pharmacy schedules the JCAHO review on the five-year management control plan. In addition, the local pharmacy will coordinate with their Quality Assurance office and the JCAHO review team to ensure the review of the key controls contained herein are included in the JCAHO review.

B-5. Supersession: There was no previous evaluations.

B-6. Comments: Help make this a better tool for evaluating management controls. Submit comments to: CDR USAMEDCOM, ATTN MCHO CL, 2050 WORTH RD STE 10, FT SAM HOUSTON TX 78234-6010.

Example Alternative Evaluation Using Existing Processes

Appendix X *(leave blank)*
Management Control Evaluation

X-1. Function. The function covered by this evaluation is *(indicate the function covered by the (evaluation))*

X-2. Purpose. The purpose of this evaluation is to assist *(indicate the intended users)* in evaluating the key management controls listed below. It is not intended to cover all controls.

X-3. Instructions. Answers must be based on the actual testing of key management controls (e.g., document analysis, direct observation, sampling, simulation, other). Answers which indicate deficiencies must be explained and corrective action indicated in supporting documentation. These management controls must be evaluated at least once every five years. Army activities must also certify that this evaluation has been performed on DA Form 11-2-R (Management Control Evaluation Certification Statement).

X-4. Test Questions. *(insert the test questions, worded such that negative answers indicate a management control weakness.)*

a.

b.

c.

X-5. Supersession. This evaluation replaces the evaluation(s) **for** *(insert the task/subtask covered by the previous evaluation)* previously published in *(insert the previous DA Circular number or any DOD reference)*.

X-6. Comments. Help make this a better tool for evaluating management controls. Submit comments to *(insert the complete mailing address for HQDA/DOD functional proponent)*.

Figure 2-1.
Format of an appendix for a
Management Control Evaluation

**Appendix A (AR 40-3, Medical and Dental Programs)
Management Control Evaluation**

A-1. Function. The function covered by this evaluation is the **Medical Laboratory Management** process.

A-2. Purpose. The purpose of this evaluation is to assist Medical Treatment Facilities in evaluating the key management controls listed below. It is not intended to cover all controls.

A-3. Instructions. Answers must be based on the actual testing of key management controls (e. g., document analysis, direct observation, sampling, simulation, other). Answers that indicate deficiencies must be explained and corrective action indicated in supporting documentation. These key management controls must be formally evaluated at least once every five years. Certification that this evaluation has been conducted must be accomplished on DA Form 11-2-R (Management Control Evaluation Certification Statement).

A-4. Test Questions.

a. Have commanders ensured that all medical laboratories under their command and control are properly registered with the DOD CLIP Office?

b. Have commanders of Regional Medical Commands appointed regional medical laboratory consultants to provide oversight of proficiency testing and technical medical laboratory consultation throughout the region.

c. Have procedures been implemented to ensure that laboratory-related DOD patient access and cytopathology turn-around time standards are met.

d. Are annual statistical quality assurance reports of cytopathology services published and provided at least yearly to the next higher headquarters.

A-5. Supersession: There were no previous evaluations.

A-6. Comments: Help to make this a better tool for evaluating management controls. Submit comments to: CDR USAMEDCOM, ATTN MCHO CL R, 2050 WORTH RD STE 10, FT SAM HOUSTON TX 78234-6010.

Example Evaluation

Glossary of Certain Terms:

HQDA/DOD functional proponent:

The HQDA/DOD Principal responsible for policy and oversight of a particular functional area.

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 organizational structure itself (designating specific responsibilities and accountability), formally defined procedures (e.g., required certifications and reconciliation's), 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.

Key management controls:

Those absolutely essential management controls which must be implemented and sustained in daily operations to ensure organizational effectiveness and compliance with legal requirements. Key management controls must be identified by HQDA/DOD functional proponents in their governing regulations/instructions and establish the baseline requirement for management control evaluations conducted by assessable unit managers.

Management control evaluation:

A periodic, detailed assessment of key management controls to determine whether they are operating as intended. This assessment must be based on the actual testing of key management controls and must be supported by documentation (i.e., the individual(s) who conducted the evaluation and the date, the methods used to test the controls, any deficiencies detected and the corrective action taken).

Mandatory Management Control Evaluation:

One method for conducting a management control evaluation. The HQDA/DOD functional proponent may develop a standard evaluation that addresses the key management controls and publish it in the governing regulation/instruction and mandate its use. See example evaluation on page seven. The purpose of a Management Control Evaluation is to provide managers a tool to help them evaluate the effectiveness of these key management controls.

Test question:

A question in a Management Control Evaluation designed to assist the user of the evaluation determine whether a key management control is in place and operating as intended.

Alternative management control evaluation:

Any existing management review process that meets the basic requirements of a management control evaluation, (i.e., it assesses the key management controls identified in the regulation, it evaluates these controls by testing them, and it provides the required documentation.) These existing management review processes may be unique to a specific functional area or they may be generic, (e.g., the Command Inspection Program or audits by the internal review auditors.) However, to be an Army mandatory evaluation, the evaluation must be required once every five years as a minimum and used Army-wide. (See example alternative evaluation using existing processes on page five.)