



Enhancing The Army Management Control Process

Review of MCP Current State, Proposed Future State, and Roadmap

18 December 2003

Agenda

- Purpose
- Background
 - ◆ “As Is”
 - ◆ “To Be” — An Unconstrained View of What The MCP Could Be.
- Roadmap and Its Elements
- Summary

Purpose

- Review the current state of the MCP
- Propose a future control framework
- Provide a roadmap leading to “RAMCP”

- To provide the OASA(FMC) with the Management Control Process Deliverable:
 - ◆ Road Map to improve the Army’s MCP
 - ◆ Series of options for Senior Leader choices...leading to the development of an implementation strategy

Background

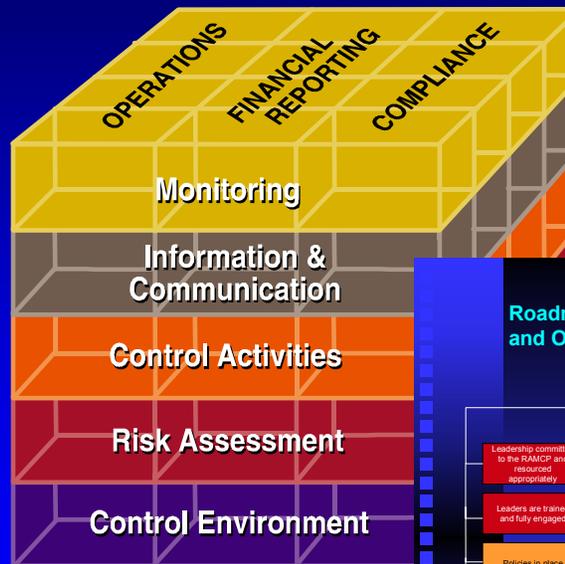
- “As Is”
 - ◆ MCP is Best in Class...but desire for
 - ◆ More robust process
 - ◆ Visibility into “The Business”
 - ◆ Research, Interviews led to a vision of the “To Be.”
- “To Be”
 - ◆ An Unconstrained View of What The MCP Could Be.
 - ◆ Incorporated “full spectrum” framework that includes:
 - ◆ Operations
 - ◆ Financial Reporting
 - ◆ Compliance
 - ◆ Will require resources and change management effort.
- Assessment led to a Roadmap and series of options for Senior Leader choices.



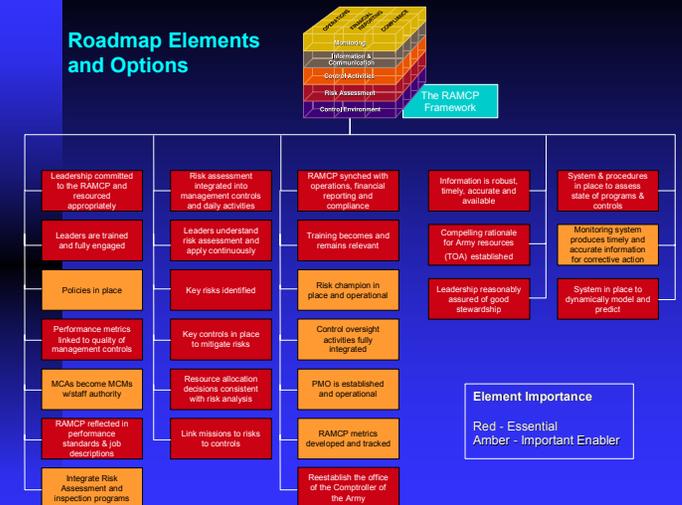
Roadmap Elements and Options

RAMCP's Control Components

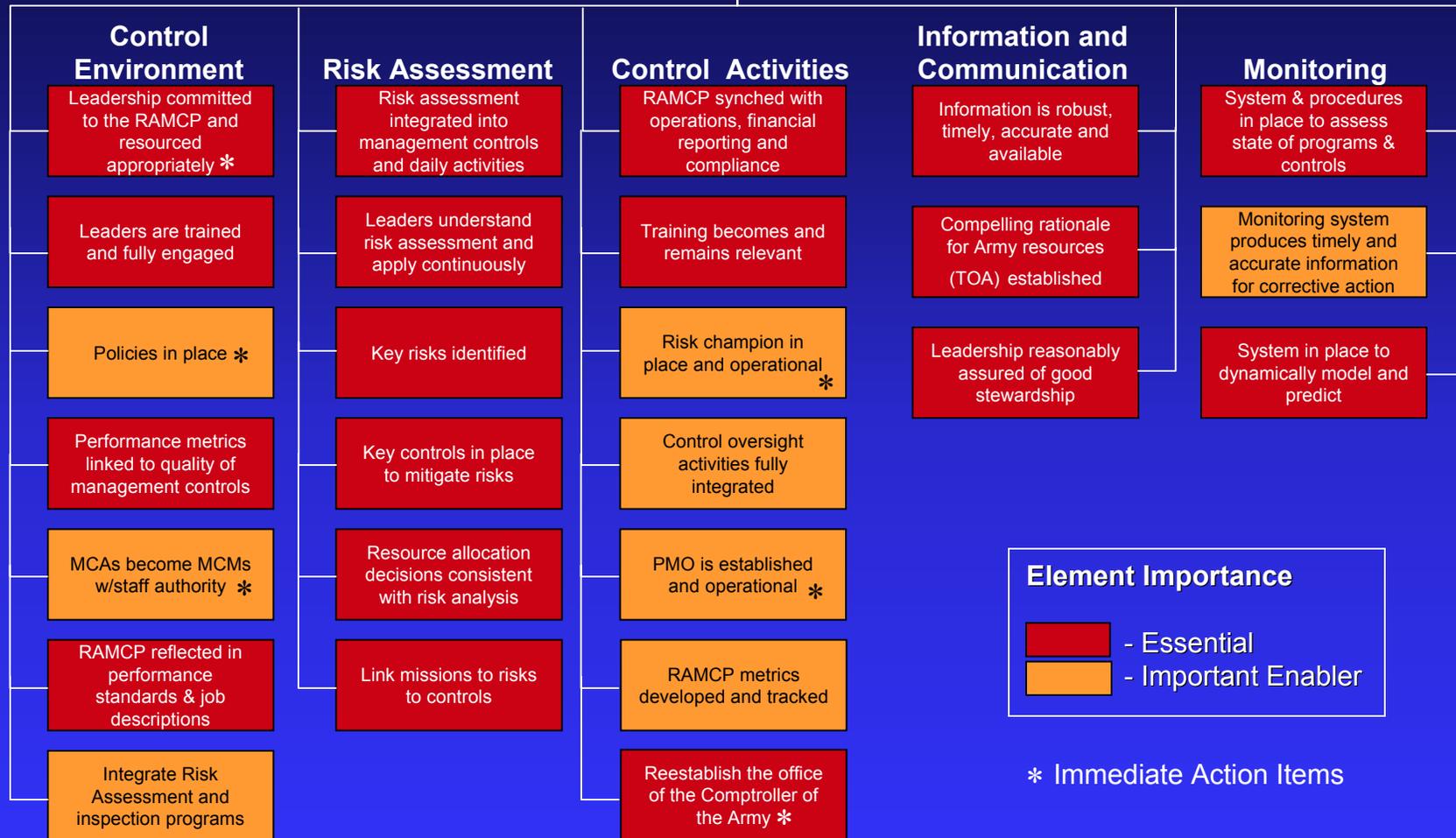
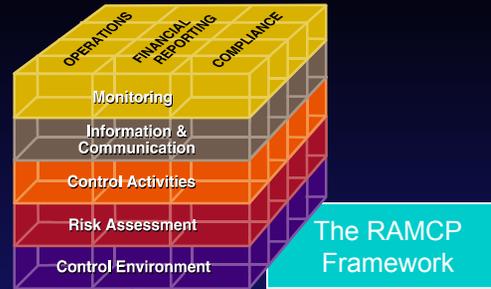
- 1. Control Environment** - The control environment sets the tone of an organization, influencing the control consciousness of its people
- 2. Risk Assessment** - Every entity faces a variety of risks from external and internal sources that must be assessed both at the entity and the activity level
- 3. Control Activities** - These policies and procedures help ensure management directives are carried out
- 4. Information and Communication** - Pertinent information must be identified, captured and communicated in a form and timeframe that supports all other control components
- 5. Monitoring** - Internal control systems need to be monitored - a process that assesses the quality of the system's performance over time



Roadmap Elements and Options



Roadmap Elements and Options



Element Importance

- Red box - Essential
- Orange box - Important Enabler

* Immediate Action Items



Control Environment

Purpose/Significance

Leadership committed to the RAMCP & resourced appropriately *

Improvements (RAMCP) will not happen without active involvement of the Army's leadership. Leader commitment is the most important element of all, and can be measured by the actions and resources dedicated to making improvements.

Leaders are trained and fully engaged

Achieving willing cooperation of leaders requires education and training training to understand RAMCP's benefits and processes. The outcome is informed and trained leaders with a deeper understanding of the control environment philosophy and their ability to take action.

Policies in place *

Policies reflect the intent and commitment of Senior Leaders. Army policies provide the basis, justification, and guidance for subordinate leader actions.

Performance metrics linked to quality of management controls

Linking performance to the value of controls... to risk mitigation... to mission accomplishment... is a powerful motivation for necessary change.

MCAs become MCMs w/staff authority *

An increase in the perception of value of management controls requires an increase in the stature, responsibility, and authority of "MCMs."

RAMCP reflected in performance standards & job descriptions

Personal job performance linked to the effectiveness of management controls can cause change in behavior. With change in behavior comes change in attitudes.

Integrate Risk Assessment and inspection programs

Inspection programs, integrated by the common thread of risk assessment and synthesized at the higher levels of a command, become "greater than the sum of their parts."



Risk Assessment

Purpose/Significance

Risk assessment integrated into management controls and daily activities

Risk assessment is the key to making management controls relevant to commanders and other leaders. Leaders understand risk to their mission. Linking controls to the mitigation of risk is the natural value proposition for leaders.

Mission—Risk—Controls

Leaders understand risk assessment and apply continuously

Understanding and applying risk assessment continuously is not only inherent in leader thinking but is also an explicit, overt reflection of the mission—risk—controls model.

Mission—Risk—Controls

Key risks identified

Identifying key risks helps focus leaders' attention where it's needed most, and scopes the RAMCP effort much as METL helps commanders know where to focus scarce training resources.

Key controls in place to mitigate risks

Having Key Controls in place, linked directly to Key Risks, becomes the focal point for ensuring mission success.

Mission—Risk—Controls

Resource allocation decisions consistent with risk analysis

Resource allocation is risk allocation. One applies resources first to those controls designed to mitigate the greatest risk to mission success:

Mission—Risk—Controls

Link missions to risks to controls

The mission—risk—controls model is central to management controls improvement. A simple concept that lends itself to ease of understanding and effective training for leaders.

Mission—Risk—Controls



Control Activities

Purpose/Significance

RAMCP synched with operations, financial reporting and compliance

Important concept for changing leader attitudes about controls. RAMCP is more than just complying with financial reporting requirements. It benefits operations, and helps leaders comply with laws and regulations.

Training becomes and remains relevant

An important enabler for ensuring RAMCP is embedded in every day activities. It ensures the proper understanding and execution of RAMCP concepts.

Risk champion in place and operational *

A Risk Champion serves other leaders by ensuring they understand and can apply risk management concepts to their daily activities. Is a central point for monitoring and feedback on the value of RAMCP and other activities associated with risk management.

Control oversight activities fully integrated

Control activities such as CIP, OIP, IR and AAA are integrated by the common thread of risk assessment. The sharing of inspection, analysis, and audit insights makes the benefits “greater than the sum of their parts.”

PMO is established and operational *

Program management of an effort with such wide ranging impact requires a management structure, like a PMO, to ensure RAMCP’s early nurturing. Keeps efforts focused to achieve timely and effective RAMCP implementation.

RAMCP metrics developed and tracked

Must be able to measure the effectiveness of RAMCP at all levels. Important for sharing lessons-learned and successes.

Reestablish the office of the Comptroller of the Army *

A HQDA senior-level executive for Controls is critical for long-term viability and to ensure RAMCP becomes and remains a “value-added” process. Demonstrates leadership commitment to RAMCP.



Information and Communication

Information is robust, timely, accurate and available

Compelling rationale for Army resources (TOA) established

Leadership reasonably assured of good stewardship

Purpose/Significance

An absolute for effective management. Provides leaders with the right information at the right time for informed decisions. Requires systems that provide visibility into operations, financials, and compliance—and into their inter-relationships.

The simplicity of the mission—risk—controls model also makes it useful for resourcing discussions. Understanding the impacts on or risks to missions is the most important information for resource allocation decisions.

The robustness of RAMCP has a direct and positive correlation to the confidence senior leaders have in meeting their stewardship responsibilities.



Monitoring

Purpose/Significance

System & procedures in place to assess state of programs and management controls

Provides leaders with the information necessary to manage their RAMCP to sustain the benefits of an effective process. Provides important information to higher and lower levels about programs through information sharing.

Monitoring system produces timely and accurate information for corrective action

The tool or tools enabling the previous element. Includes enterprise-wide visibility of “the business” – programs, processes and resources. Valuable enabler for enterprise resource allocation—and re-allocation.

System in place to dynamically model and predict

Challenging and necessary capability providing leaders with leading indicators for proactive management decisions.

