ENHANCING THE ARMY MANAGEMENT CONTROL PROCESS

Review of MCP Current State
and Proposed Future State

ARMY MANAGEMENT CONTROL PROCESS

Table of Contents

1. Letter of Transmittal

December 18, 2003

MEMORANDUM FOR

ACTING ASSISTANT SECRETARY OF THE ARMY (FINANCIAL

MANAGEMENT AND COMPTROLLER

MILITARY DEPUTY FOR BUDGET, OASA(FM&C)

SUBJECT: Army Management Control Process Analysis and Recommendations for Improvement

We have completed our report providing recommendations for enhancing the Army's Management Control Process (MCP). The purpose of this analysis is to review the current state of the MCP, propose a future control framework and provide a road map with elements designed to put into place a new Risk Assessment and Management Control Process (RAMCP). We understand that ASA(FM&C) leadership will use this report to develop an overall implementation strategy and identify resourcing needs for the new RAMCP.

Contained within this document are data, observations and analysis addressing the following:

- The current state of the Army's MCP with respect to its prescribed activities versus how it is actually being implemented.
- A new control framework that explicitly incorporates operations and compliance with financial reporting.
- A road map with essential and important enablers that is required to implement a more robust RAMCP.

A range of options and timelines for implementation are provided for your consideration and decision. Thank you for the opportunity to help shape the future course of our transforming Army. Please call if you have any questions or if we can be of further assistance.

Stephen Coakley

Project Director, OASA(FM&C)

Attachments

2. Executive Summary

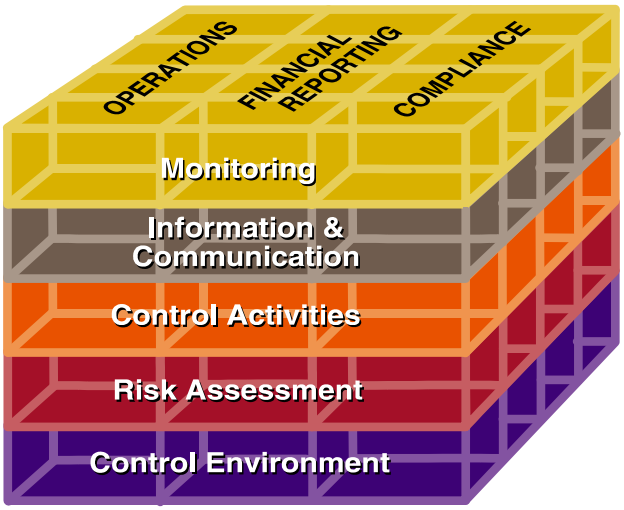
The Army in its never ending pursuit of continuous improvement and unsurpassed visibility into its operations supported an effort sponsored by the Office of Assistant Secretary of the Army for Financial Management and Comptrollers (OASA (FM&C)), to investigate and assess its current Management Control Process (MCP) and provide a framework (blueprint) to improve on the process of management control. This report outlines these efforts and provides recommended enhancements to the current MCP.

The Army's MCP was designed to meet the requirements of the Federal Managers Financial Integrity Act (FMFIA) of 1982 (Public Law 97-255), which is codified in Section 3512 of Title 31, United States Code. Army Regulation 11-2 prescribes the process and places responsibility for its provisions with Headquarters Department of the Army who further delegates the day-to-day management and execution of the process to the Major Subordinate Commands and their subordinate organizations. This process provides a solid foundation for management controls that is considered one of the best in DOD, however, the OASA (FM&C) believes it can be better.

A team, under the direction of Mr. Steve Coakley began the project to identify ways to improve the MCP. Armed with supporting documents, internal assessments and a thorough history of the Management Control Process (MCP) and Internal Review (IR), provided by Mr. Bill Harris and Mr. Bob Barnhart, respectively, the team was able to compare the present MCP with the process that is actually being administered in HQDA and the MACOMs. The team then visited and interviewed several MACOM Management Control Administrators (MCAs). These interviews gave the team a better understanding of the actual day-to-day operations of the process. They were able to identify many controls designed to enhance, and minimize jeopardy to, Army missions. However, even though the present MCP meets the letter of laws, regulations, and policies, the team found shortcomings in MCP practices that have the potential to jeopardize Army missions.

Initially, the team found a perception that the MCP was just financial in nature as opposed to being a process that contains provisions for operations and compliance. However, most of the material weaknesses forwarded to the Department of Defense are not financial in nature. Next, the team found that leader commitment to the MCP was lacking in almost every instance. In fact, many of the MACOMs view the MCP to be of little or no value and provide little or no return on their investment. The team also found widespread reluctance to support the identification and disclosure of material weaknesses. Finally, the greatest threat to mission success, is the simple fact that the MCP is not linked to risk management, and its associated risk assessment, already embedded in many of the day-to-day activities of commands. The conclusion that risk assessment and management should be integrated into MCP (through currently integral to operations it is not part of the MCP) led the team to propose a control framework that includes not only financial reporting, but operations and compliance as well.

The team approached the "To Be", or objective, MCP by turning to a framework that would encompass the principles of risk management while adhering to a recently approved GAO framework for internal controls. This framework makes clear that controls are important for much more than just financial reporting. Indeed, they address operations and compliance, too. Further, through its components of ***Control Environment, Risk Assessment, Control Activities, Information and Communication,*** and ***Monitoring***, the framework permits a comprehensive view and assessment of controls as they support mission accomplishment and good stewardship of resources.



The emphasis on risk assessment led the team to recommend a name change for the MCP – Risk Assessment and Management Control Process (RAMCP). The evolution from MCP to RAMCP will take several years and will not yield its full benefit for three to five years – the "Objective RAMCP."

The objective RAMCP draws the very best from the current MCP, including a "best in class" administrative process. It emphasizes risk assessment, making it foundation for the new process. RAMCP also expands on "best in class" with a robust treatment of the ***substance*** of controls, helping leaders achieve a greater confidence that they will accomplish mission objectives, meet their fiduciary responsibilities, and comply with the law. In the end, RAMCP improves each organization's chances for mission success because they have methodically and deliberately assessed the risks to their mission and developed controls to mitigate or eliminate those risks.

Based on the team's analysis and the information presented in this report, we recommend that the OASA (FM&C) take the necessary steps to build in quality by strengthening the management control process by incorporating the risk assessment doctrine and philosophy into a restructured business process and an organizational realignment. We believe this could be best accomplished in several phases all tied to several of the Chief of Staff of the Army's (CSA) immediate focus areas. With formal incorporation of risk assessment into the overall controls philosophy and process, organizational realignments at all levels may be necessary. We believe by incorporating the RAMCP into the Internal Review and Audit Compliance (IRAC) framework – that is expand the Information Resource Management Steering Committee (IRMC) framework to include RAMCP – we will have greater potential for integrating all elements of controls and risk assessment for the Army.

OASA (FM&C) now has the opportunity to select from a menu of options over the next several years to continuously strengthen the business processes associated with the RAMCP. The primary focus going forward will be the need to perform and integrate risk assessments for RAMCP. However, two early efforts that have potential for solid return on effort will be leveraging Army Knowledge Online (AKO)

and its Knowledge Collaboration Centers (KCC), and initiating a quarterly senior level forum to help strengthen leadership understanding and commitment to the business of risk assessment and internal controls. Using AKO and the KCC will provide an Army wide forum to enhance learning and sharing of lessons. These steps will enable the Army to embrace the principles of a learning organization relative to RAMCP and will enforce the perceptions that the Army can accomplish its mission and be an effective steward of resources.

The Army is a dynamic organization in a dynamic environment that presents challenges and risks that change continuously. Meeting and addressing these challenges and risks will require a control framework and corresponding resources to address them. The current MCP provides the Army with a firm foundation to build on for the future. However, the Army's goal is to take its best-in-class process and make it better. This report outlines the vision for that control framework (RAMCP) and the roadmap elements required to progress from the Army's current MCP to achieve that objecting.

"OASA (FM&C) exists to provide resources to the Army and accountability to the American people."
Sandra L. Pack
Former ASA(FM&C)

3. Purpose

The Army instituted the Management Control Process (MCP) to help assure Army leaders and the American people that it is accountable for good stewardship of its precious resources, soldiers, civilians, property, and dollars. The purpose of this document is to report on the methods and results of an eight-week effort to describe:

- The current or "As Is" state of the Army's MCP
- A framework for the future or "To Be" state of the Army's MCP and
- A road map for Execution/Concept of Operation as a means for the OASA (FM&C) to proceed in establishing an enhanced MCP.

This document will recommend enhancements to the MCP on risk management principles with special attention paid to mitigating risk to Army missions and to the resources critical to achieving those missions. The "way ahead" will include the identification of recommended policy, process, resource, and organizational changes and the development of metrics for tracking and reporting on progress.

The reasons for pursuing a more robust Army MCP are compelling. Tens of thousands of Army personnel, thousands of pieces of equipment, and billions of dollars are involved prosecuting combat operations (e.g. Iraq, Afghanistan, and elsewhere). Army units, whether conducting combat operations, deploying, redeploying, or supporting, are faced with an ever-growing array of challenges. Today's environment makes management controls even more critical to mission success. Army commanders and Assessable Unit Managers (AUM) need the appropriate tools to identify and mitigate risk.

Other Compelling Reasons (Examples) for Change
- Enhanced force protection needs
- Linking resource requirements to mission objectives
- Linking execution funding to outcomes ("Did we get what we paid for")
- Assessing the benefits of anti-terrorism activities
- Evaluation of border protection support activities

Management control failures and resulting adverse publicity severely undermine the Army's efforts to obtain the resources it needs. When considering current and future environments, it is absolutely critical for every Army commander and manager to be good stewards of public resources.

Management controls are basically lessons learned – often from painful experiences – about how business operations and programs should be conducted. Effective management controls help to ensure that scarce Army resources are used efficiently and are applied effectively in the pursuit of mission accomplishment. A robust MCP will ensure that critical controls work as intended to achieve the desired result, that both the Army's "best in class" MCP and the associated reputation for stewardship are enhanced. It will ensure that the Army maximizes its chances of obtaining and maintaining the resources required to fight and win the Nation's wars.

(Continued)

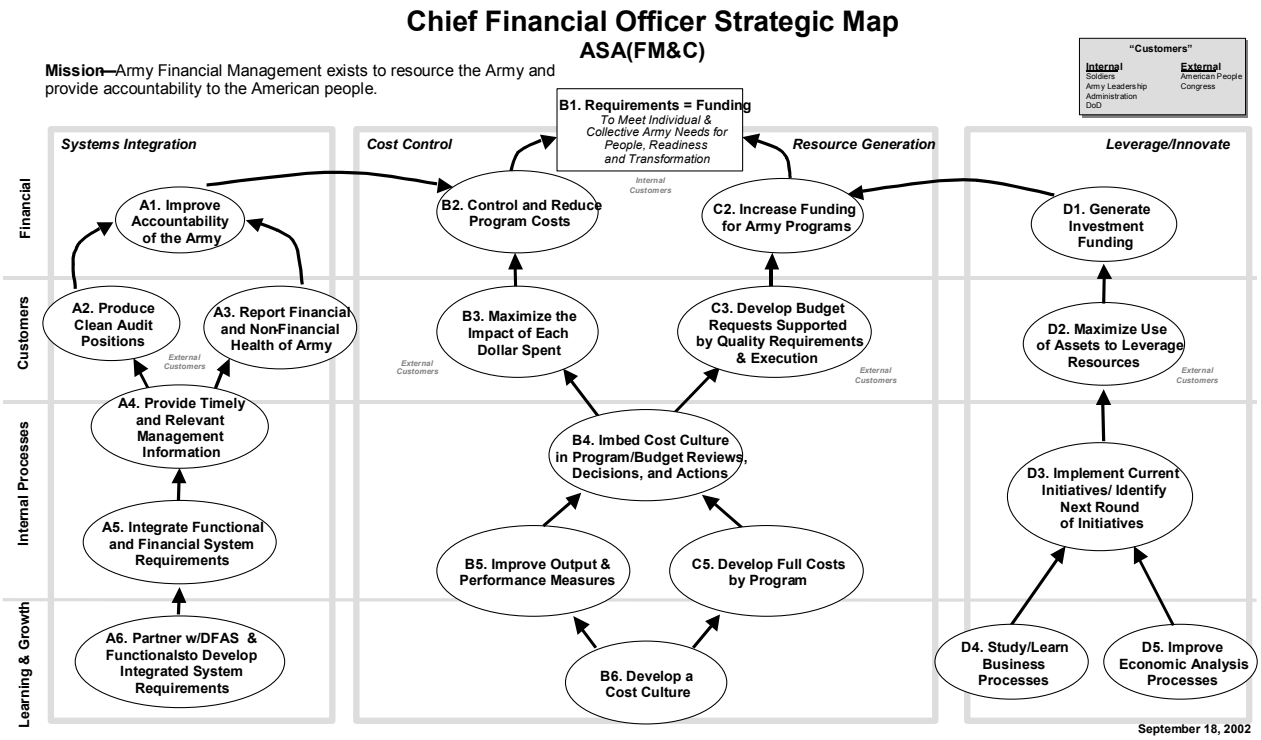
Integrated risk management (a key component of the proposed “end state” MCP) is intrinsically related to an effective system of management controls. Integrated (or embedded) risk management takes advantage of the Army’s existing business and operations practices, systems and resources necessary to its missions in an effort to minimize organizational change while enhancing risk assessment and the control environment. These measures identify the areas of greatest hazard to mission accomplishment and help focus management control efforts where they are needed most.

An effective, embedded approach to risk management greatly reduces the likelihood of embarrassing management control failure. In addition, it encourages commanders and managers to focus on the management control aspects of their day-to-day operations. Furthermore, an embedded approach promotes a management control orientation – a philosophy that views effective control as a critical tool for command and control and mission accomplishment.

An enhanced MCP provides for the design and development of rigorous tools to enable the Army leadership to have focus on critical systems associated with operations, financial reporting, and compliance. These tools, coupled with integrated risk management, have the potential to improve Army resource availability and improve the return on investment. Additionally, the capability to model and predict future events will improve planning and resource allocation. These “value added propositions” alone are reasons enough to adopt an enhanced MCP.

Throughout this effort, we referenced the OASA (FM&C)'s vision and goals as articulated in the "Chief Financial Officer Strategic Map."

Strategy Map



"Provide Resources to the Army and Accountability to the American People"

This effort identified several themes supporting the creation of a framework that significantly enhances the Army's MCP:

- The Army's current MCP provides a solid foundation for moving to the next level of management controls for programs and operations, while retaining the best of its current practices.
- Effective risk management practices and philosophy needs to be integral to an enhanced control framework.

(Continued)

- An enhanced control framework should address:
  - Performance metrics specifically tailored to measure program effectiveness.
  - A mechanism for the sharing of lessons learned.
  - An expanded program of institutional and in-house training.
- A senior leadership forum for the periodic review and assessment of key performance metrics should be part of the control framework.
- Linkage to other Army oversight and control-related activities, to include:
  - Local Internal Review and Inspector General offices.
  - Army oversight agencies, like the US Army Audit Agency, the DA Inspector General and the US Army Criminal Investigation Command.
  - Key Army systems for monitoring performance metrics.

These themes are important to the development of a control framework that leverages the best of the Army's current MCP, provides coordination and visibility to control activities, and affords leaders and commanders the assurance that controls are in place to address the Army's extensive operations and business activities.

4. Overview/Background

In order to gain a better perspective of management controls and how risk enters into the picture, this overview outlines the history of the current MCP. In addition, understanding how the Army assesses risk in its various mission and business activities is important to establish a meaningful control framework. Finally, understanding the nature of the intent behind establishing a management control process is necessary to adequately assess how well the current process meets the letter and the spirit of the laws, regulations and directives that define it today. These perspectives allow the reader to better understand the perspective of this analysis and ultimately the conclusions and recommendations herein.

4.1. History

Evolution of the Army Management Control Program			
Pre 1982	1982-1985	1985-1993	1993-2003
• Like other agencies, Army had no formal management control program in place • "Management control" was a little used term • Oversight of controls was accomplished through IG, AAA, IR	• 1982: FMFIA required: – An annual report on management controls – The reporting of material weaknesses w/plans for correction • The initial Army program was highly decentralized	• 1985: The Army program became highly centralized: – 500 lengthy checklists – Single Army schedule for conducting evaluations • 1992-1003: GAO report & internal Army assessment noted problems: – Top down w/little command flexibility – Lack of command "ownership" – Superficial compliance on checklist evaluations	• 1994: The Army program was restructured to: – Reduce workload (150 short checklists) – Increase flexibility (local schedules) – Increase accountability (senior managers approve evaluations) • 2003: The ASA (FM&C) directed a review of the Army program

The Army is a learning organization in an ever-changing environment now postured to take the next steps.

The early years: Prior to 1980, management control was a little used term even though there were management controls in place. The Army, like other Federal agencies, used its Inspectors General, Internal Review, and the U.S. Army Audit Agency to accomplish much of the work associated with control activities.

The 1980's: However, during the 1980's, strict compliance with Comptroller General Government Auditing Standards was established as Army policy. Prior to this time, formal annual programs, a disciplined methodology, and formal documentation of control activities were weak.

The statutory basis for Army's management control process began in 1982, codified in Section 3512 of Title 31, United States Code.[1] The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires the head of each executive agency to establish management controls to provide reasonable assurance that:

[1] Public Law 97-255

"obligations and costs are in compliance with applicable laws; funds, property and other assets are safeguarded against waste, loss, unauthorized use or misappropriation; revenues and expenditures are properly recorded and accounted for; and programs are efficiently and effectively carried out according to applicable laws and management policy."

The FMFIA also requires each agency to report annually to the President and Congress on whether these management controls comply with requirements of the FMFIA. Additionally the FMFIA requires a report identifying any material weaknesses in these management controls, along with plans for their correction, and a report on whether accounting systems comply with the principles, standards and related requirements prescribed by the Comptroller General, to include deficiencies and plans for their correction. (Note: per OSD direction, this portion of the FMFIA requirement is now accomplished through financial reporting channels and is no longer addressed in the Army's annual Statement of Assurance).

Initial Decentralized Approach: The Army's initial effort to implement the FMFIA was largely decentralized. Operating managers throughout the Army were provided with broad OMB Guidelines and Comptroller General Standards and were made responsible for assessing risk, identifying the controls to evaluate, and conducting those evaluations. *Centralized Approach:* In FY 1984, the Army's program was revised and became highly centralized. HQDA functional proponents identified the management controls to be evaluated in the form of 500 detailed checklists that the proponents published in a series of Army circulars. The HQDA functional proponents also conducted Army-wide risk assessments of their functional areas to determine the frequency for conducting these required evaluations. Based on their input, the Army's management control staff published a single Army-wide Management Control Plan listing the areas to be evaluated and the schedule for doing so.

To comply with the Goldwater-Nichols Act of 1986, the Office of the Comptroller of the Army was merged in 1987 with the Office of the Assistant Secretary of the Army (Financial Management) to become the Office of the Assistant Secretary of the Army (Financial Management & Comptroller) (OASA (FM&C)). This move reinforced the association of the MCP with OASA (FM&C) contributed to the perception that the process was just financial in focus.

The 1990's: The General Accounting Office (GAO) conducted a major review of Army financial management operations and controls in FY 1991-1992 and found numerous management control failures. The audit report indicated the design of the Army's management control process was sound, but mangers in the field did not use it. An internal Army self-assessment confirmed the GAO's findings and pointed out several specific problems with the MCP:

- It was <u>too heavily centralized</u>, with HQDA making too many of the key decisions (e.g., what to evaluate, how to evaluate and when);
- It <u>provided little flexibility</u> to commanders and managers and resulted in their having little sense of ownership of the process; and
- The <u>checklists were excessive in number and length</u> and were filled with questions about inconsequential procedures.

Based on this self-assessment, the OASA (FM&C) restructured the MCP effective 1 October 1994 and issued policy guidance in AR 11-2, Management Control. This restructured process reduced workload by reducing the number of check lists from approximately 500 to 150, and promoted ownership and accountability for effective management controls by: limiting required evaluations to key management controls; by providing maximum flexibility to commanders and managers on how and when they conduct these evaluations; and by raising the level of responsibility for certifying these evaluations.

The following year, the Office of Management and Budget (OMB) published its Circular A-123, *Management Accountability and Control*. The policy directive provides Federal agencies with great latitude in structuring their management control programs.

DOD Directive 5010.38, *Management Control Program*, dated 26 August 1996 and DOD Instruction 5010.40, *Management Control Program Procedures*, dated 28 August 1996, required DOD Components to have a process for the periodic evaluation of management controls.

The 2000's: In September 2003, the ASA (FM&C) directed a review of the current Army MCP to:

- Review and analyze existing GAO and DOD IG reviews of the Army's Management Control Process
- Review pertinent DOD Army Regulations, policies and procedures
- Review appropriate samples of Management Control checklists and annual assurance statements
- Identify business processes and practices that have inherent internal control weaknesses, repetitive management control problems, or present a significant risk to Army resources or mission accomplishment
- And finally, develop a blueprint for enhanced Army management controls and risk management with special attention toward:
  - Minimizing risk to Army resources and mission success
  - Making commanders aware of their key resource risk factors, and ensuring commanders' internal review practices and procedures are sufficient to identify, and mitigate risk.
  - Identifying recommended policy, process, resource, and organizational changes, and
  - Developing metrics for tracking and reporting on progress.
- Complete these efforts by 31 December 2003.

The Future: As one considers lessons that can be learned from the Army's past it is important to recognize that ever-changing threats result in changing missions that give rise to corresponding risks that must be managed. The CSA's Immediate Focus Areas reflect this axiom and is, in itself, a risk management exercise designed to address the Army's changing mission. There are specific aspects of the Immediate Focus Areas that support the need for an enhanced control framework.

Train & Equip Soldiers and Grow Leaders

- Leader Development and Education – Train and educate Army members of the Joint Team.

Provide Relevant and Ready Land Power Capability to the Combatant Commander and the Joint Team

- Current to Future Force – Accelerate Fielding of Select Future Force capabilities to enhance effectiveness of Current Force. Army transformation is part of constant change.

(Continued)

Enable the Force

- Resource Processes – Redesign resource process to be flexible, responsive and timely.
- Strategic Communications – Tell the Army Story so that the Army's relevance and direction are clearly understood and supported.
- Authorities, Responsibilities, and Accountability – Clarify authorities, resources and accountability.

Each of these focus areas result in mission changes that either produce inherent risks or are in themselves control activities. Whether responding to changes that are internally driven or a response to external stimuli, the affect on operations, business activities, and the need for compliance with directives from leadership will require a control framework that is responsive, robust and embedded in the Army's business activities.

4.2 Management Controls Process Overview

The Army designed the MCP to meet the requirements of the FMFIA. While some perceive the thrust of the FMFIA to be financial reporting, the following excerpt demonstrates that the law clearly intended for government agencies to apply controls to all aspects of their operations including missions. To assure "obligations and costs are in compliance with applicable laws; funds, property and other assets are safeguarded against waste, loss, unauthorized use or misappropriation; revenues and expenditures are properly recorded and accounted for; and programs are efficiently and effectively carried out according to applicable laws and management policy."

Former Secretaries of the Army and Chiefs of Staff of the Army have reinforced this intent in statements and formal policy letters. For example:

> "We must convince the Congress that we are good stewards of the public's tax dollars. Effective management controls are essential to gaining that trust."
>
> *Thomas E. White, Secretary of the Army & GEN Eric K. Shinseki, Chief of Staff, Army*

> "Our nation has entrusted us with precious human and material resources and received in turn our commitment that, with our prudent stewardship, we will maintain the finest army in the world."
>
> *Togo D. West, Jr., Secretary of the Army*

> "We must improve our stewardship – how we safeguard our physical assets, how we control our sensitive items, how we account for and report our financial assets – and we must invest the time and energy to do it now."
>
> *GEN Gordon R. Sullivan, Chief of Staff, Army*

These leaders clearly understood the spirit and the intent of the FMFIA and went on to produce Policy letters and Army Regulations to ensure that management controls were embedded in the Army's every-day management systems. In addition to the Army's policies and regulations, there are DOD Directives and Policies, and Office of Management and Budget Circulars that speak to the importance of management controls.

The training provided by the ASA (FM&C) Web Site bolsters the fact that MCP is more than financial reporting.

Examples of management controls include:

- Airborne training pre-jump procedures
- A lock on a warehouse door
- A doctors' prescription
- Weapons on safety check
- A certification that goods / services have been received before payment
- A command and control system

With the above in mind, several characteristics of a good management control process include:

- Leadership emphasis and measurement ("what the commander measures gets done,")
- Education and training,
- An assessment of key risks and relevant controls,
- A process to identify, prioritize, and remedy material weaknesses

While the current MCP meets the requirements prescribed by law, DOD Directives, Army Regulations, and separate Army policies, an opportunity exists to make the MCP more robust and achieve the intent of the FMFIA. The MCP administration of the "As Is" MCP is not complex and does not require a tremendous amount of resources. However, as a result, it does not receive the resources or emphasis it deserves. Army Regulation 11-2 prescribes the process and requires that each Major Command (MACOM) and their subordinate commands to have a Management Control Administrator (MCA). MCA duties rarely constitute a fulltime position, but organizations that dedicate a position to these duties generally have stronger process. Risk assessment is not an explicit part of the current MCP, although HQDA functional proponents make an inherent risk judgment when they decide whether to designate key management controls and provide a management control checklist. Furthermore, the U.S. Army Audit Agency (AAA) performs an audit on each MACOM's process on a three to four year interval. Modest resources applied to the MCP coupled with an infrequent outside look leaves potentially large gaps in leaders' confidence in assurance statements. *"Reasonable Assurance"* ***may not be*** assured.

All levels of commands and activities determine which evaluations are applicable to them, and schedule their evaluations for completion over a five-year period. The result is a locally developed Management Control Plan, which defines the functional areas where key management controls will be evaluated. The Management Control Plan must be retained on file and is subject to audit. By pinpointing responsibility – what must be evaluated, by whom, and when – the Management Control Plan provides accountability; support for the command or activity's annual statement; and an audit trail for subsequent review by AAA or Internal Review personnel.

Each year the OASA (FM&C) sends guidance and tasking instructions for the Annual Statement of Assurance to the MACOMs, Field Operating Agencies (FOA) and HQDA staff agencies. These organizations in turn submit feeder statements that the Directorate for Management Services ASA (FM&C) uses to develop the Army's Annual Statement of Assurance. This Army statement is signed by the Secretary of the Army and submitted to the Secretary of Defense. The DOD statement is signed by the Secretary of Defense and forwarded to the President and Congress. At both levels these statements provide a broad assessment of management controls and report material weaknesses, along with plans for their correction.

4.3 Risk Assessment.

Risk assessment is an important component of risk management. Risk Management is the process of identifying and controlling risks. It is applicable to any mission whether financial, operational, or compliance related. Just as importantly, risk management is applicable (and conducted) in every environment: CONUS and OCONUS, peacetime and combat operations. It applies to individual behavior, too, regardless of the unit or individual circumstances. Risk management certainly is central to the effectiveness of the Management Control Processes (MCP) defined and discussed in AR 11-2. By design, Army Guidance (USA Commander and Staff Risk Management Booklet) addresses the subject of management control and in many cases identifies key controls and provides checklists. Unfortunately, leaders do not always recognize the return on investment and the assurance that risk management provides to leaders as they make decisions.

The process for risk management entails five basic steps[2]:

(1) Identify Risks. Identify risks to the program/project. Consider all aspects of current and future situation, environment, and known historical problem areas.

(2) Assess Risks. Assess the impact of each risk in terms of potential loss and cost based on probability and severity.

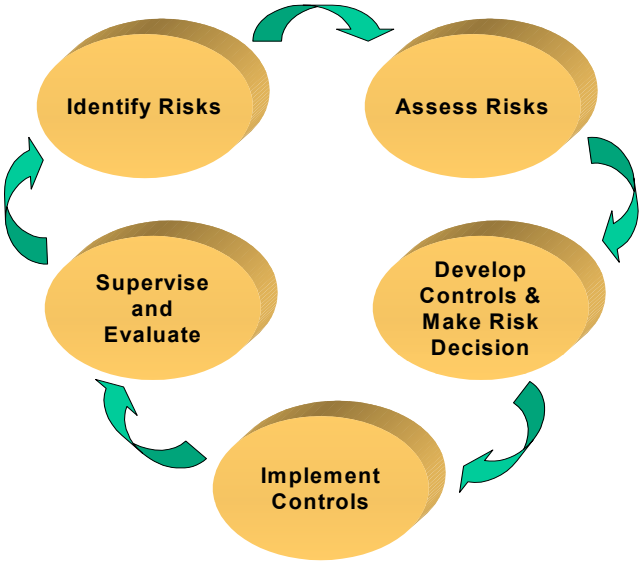
(3) Develop Controls and Make Risk Decision. Develop control measures that eliminate the risk or reduce the risk to an acceptable level. As control measures are developed, risks are reevaluated until all risks are reduced to a level where benefits outweigh potential cost.

(4) Implement Controls. Put the selected control measures in place that eliminate, mitigate or reduce risk to an acceptable level.

(5) Supervise and Evaluate. Enforce standards and control measures. Evaluate the effectiveness of control measures and adjust/update as necessary.

[2] USA Commander and Staff Risk Management Booklet

Army Five Step Risk Management Process



For risk management to be fully effective and efficient, it must be integrated into all processes within the Army and specifically into the MCP framework. Risk Management Integration (RMI) captures the full power of risk management. It firmly fixes risk management procedures into policy, training, information, leadership, and tools. These elements direct and assist an organization's operations, financial reporting, and compliance with applicable laws and regulations. It establishes standardized and tested methods that reduce process subjectivity and instill greater confidence in the outcomes.

Risk Management Integration Process

The following five integrating elements embed risk management[3] into the "To Be" MCP. These elements tie directly to the Army's previous Five-step Risk Management Process. The intent is to mitigate risks from the onset of a program or project.

1. Identify risk management integration opportunities. Where are the greatest risks or problem areas within the organization?

2. Assess improvement opportunities. Select specific target areas and break them down into phases. It's important to remember that a cultural change does not happen overnight. Trying to integrate risk management into everything at one time will result in poor integration in all areas. It's better to start small and succeed than to start big and fail.

3. Develop integration procedures. Define how to integrate risk management into selected tasks, missions, or functions. And then identify specific actions to be accomplished, further describing who will be responsible for the action and milestones.

4. Assist implementation of integration procedures. Secure subordinate commands' commitment to integrating risk management into the targeted areas. The entire chain of

[3] Source: FM 101-5

command must clearly understand the specific areas identified, be committed to the integration effort, and be ready to develop action plans. This is a good example of the need to provide for top down management of the MCP.

5. Measure and reassess the degree of integration and its results.

Leaders, at all levels, should seek opportunities to integrate risk management. Even as integrating agents at higher levels are developing RMI action plans for force development, force projection, sustainment, and management, proactive leaders can immediately begin development of a RMI action plan for their own organization by following the RMI process. Concurrent actions will accelerate completion of the goal: total integration of risk management.

As a practical example RMI can be integrated as part of the annual audit plan developed by the internal review activity. This can also be extended to include the other oversight activities under the control of Army Commanders.

A fully integrated risk management program will provide the kind of “absolute best” Management Control Process envisioned by the Army in the “To Be” Management Control Process. Annual Statements of Assurance could be executed with much greater confidence that they provide reasonable assurance.

5. Process

The process employed to conduct this analysis is important to frame the research, analysis and ultimately the context of our recommendations. The team member's prior experience and subject matter expertise provided depth to the analysis and strength to the conclusions and recommendations. The field interviews offered unique perceptions from the stakeholders and participants in the MCP relative to their desired benefits, performance, and ways to improve the process. The combination of subject matter expertise, research, and perceptions from the field shaped the analysis and recommendations in this report.

5.1 Team Description

The proponents for the MCP assessment were: the ASA (FM&C), the Principal Deputy ASA (FM&C) and the Military Deputy for Budget, ASA (FM&C). Each provided the team with their insights and desires concerning the efficacy of the MCP.

Army personnel, including senior executive and staff members from OASA (FM&C) and knowledgeable external personnel in the field of internal controls, program risk management, information risk management, change management, and process improvement provided input to the report.

In order to cover all aspects of the MCP, senior level managers associated with the MCP were interviewed and briefed. Interviews also took place with several subordinate activities that administer the MCP on a daily basis. Mr. Steve Coakley (USACE (RM)), Mr. Bill Harris (Director of Management Services, OASA (FM&C)), and Mr. Russ Warren (USACE MCA) directed the team's efforts. This product is a reflection of a collaborative process.

The team brought in knowledgeable personnel who have recent experience within the public and private sector to identify processes, methods and procedures that represent the current thinking about MCP in public service. The result of this collaboration focused on a framework that complies with current OSD, GAO & OMB objectives with respect to management controls.

5.2 Research

The research for this effort was two pronged. Control related reference materials were collected and analyzed to provide a baseline for this effort. The following references provide a list of materials collected to support this research. To augment the reference material research, field interviews were conducted to assess the current state of the MCP.

Management Control References:

- Federal Managers Financial Integrity Act of 1982 (PL 97-255)
- GAO Standards for Internal Control in the Federal Government, November 1999
- OMB Circular A-123, Management Accountability and Control, 21 June 1995
- DOD Directive 5010.38, Management Control Program, 26 August 1996
- DOD Instruction 5010.40, Management Control Program Procedures, 28 August 1999
- Army Regulation 11-2, Management Control, 1 August 1994
- Naval Audit Service, Risk Assessment Methodology for Audit Planning and Project Management, September 2002
- Naval Audit Services, Macro Risk Assessment Report, 27 September 2002
- Review of the Army Management Control Process, (Fiscal Year 2003), An Assessment for the Secretary of the Army, 29 October 2003, Audit Report: A-2004-0040-FFG
- Policy Letters signed by Secretaries of the Army and Chiefs of Staff

(Continued)

- Assorted documents from MACOM MCAs including checklists, guidance, and after action reports

5.3 Interviews

As part of the MCP assessment, the MCP Team conducted interviews with MACOM Financial Managers, Management Control Administrators, and principals of organizations. The comments below are a recap of the interviews and revealed many of the characteristics that make up the MCP. All of the interviewees spoke candidly about the MCP. Their insights into the process have significantly aided the assessment and are evident in the design and development of the "To Be" MCP. Time constraints prohibited interviews with , however, select MACOM RMs did provide a command perspective.

The following summary of non-attribution comments provide perceptions of the "As Is" MCP from the field along several key themes:

- Focused on financials,
- A "paper chase,"
- Questionable Return on Investment (ROI),
- Low priority program,
- Lacking leadership commitment, and
- Documentation of Risk assessment is almost nonexistent.

Specific comments (perceptions) from interviews of various organizations supported these themes.

- MCP does not add value
- MCP needs to focus on operations, not just on financials
- Created a Senior Level Steering Group for oversight of material weaknesses
- Have high MCA turnover, which makes training critical
- Don't have commander buy in / leadership emphasis
- MCP training – Programs of Instruction and Lesson Plans – need to be updated
- MCP provides no ROI to MACOMS or subordinate units
- Risk assessment should be embedded in the MCP
- The 5-year plan should be updated every two years
- There is command resistance to reporting material weaknesses

A recent Army Audit Agency[4] report supports these views with the following observations:

- Army needs preventative controls in the future state vs. the current state's detective controls
- Leadership commitment is required at the functional level
- Need to link input-output-outcomes
- All managers need management control responsibilities in their performance agreements
- Culture shift is required

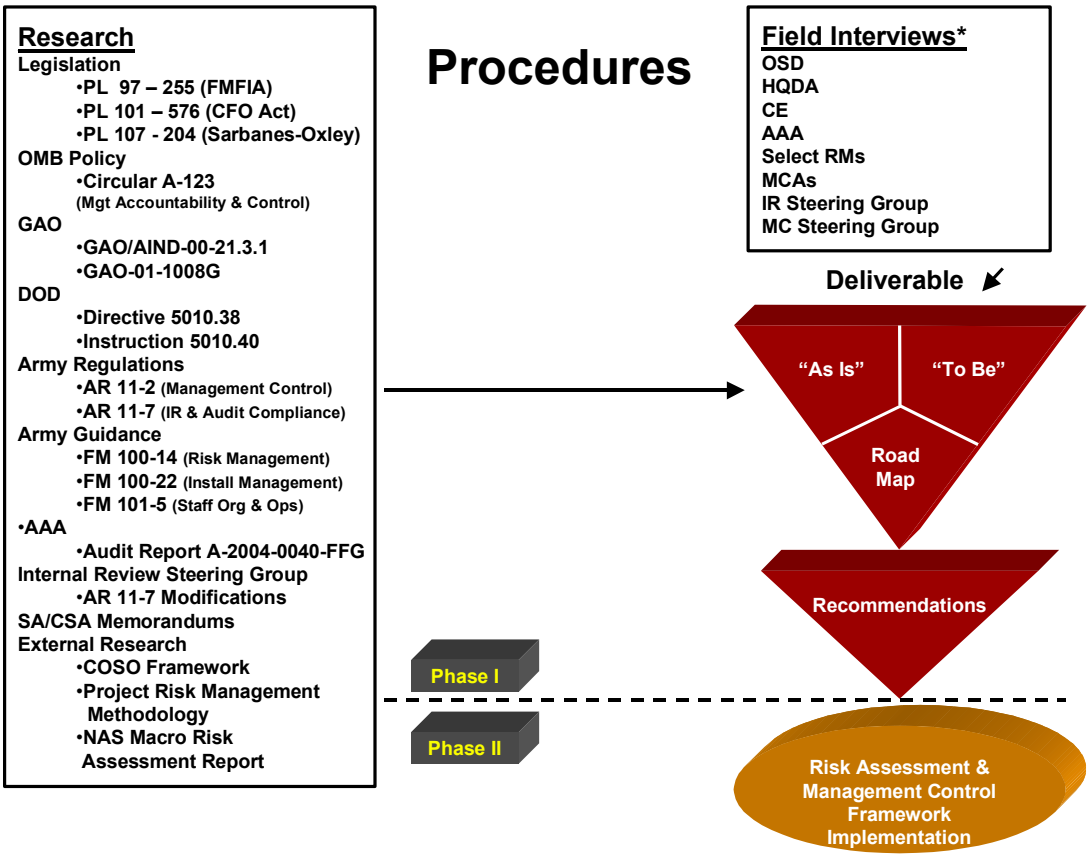
5.4 Analysis

The analysis presents two perspectives – "What is Prescribed" and "What is Actually Happening." Results from research focused on "What is Prescribed" while the interviews focused on "What is Actually Happening."

---

[4] Review of the Army Management Control Process (Fiscal Year 03): An Assessment for the Secretary of the Army

Reference material, external management control documents (as described in the following exhibit), and a summary document prepared by the Army Director of Management Services provided insights to both the "What is Prescribed" and "To Be" sections of this analysis. Interviews proved to be extremely valuable in determining the actual state of the MCP as well as the advantages and disadvantages of the present process. As typical with processes of this magnitude, in several instances there were gaps between "What is Prescribed" and "What is Actually Happening." The graphic below depicts the analysis from research through field interviews, to the "As Is," to the "To Be."



This graphic outlines the process the team followed. Phase I signifies the end of MCP and Phase II represents the beginning of a new process.

The report provides a "Road Map" to bridge the gap between the "As Is" and the "To Be," providing a variety of options. These options range from basic to elaborate.

The research, interviews and analysis led to a clear picture of the "As Is" MCP described in Section 6.1.

(Continued)

6. Results

This section provides an assessment of the current or "As Is" situation to highlight the differences between the way the current MCP performs and how it should perform with respect to the letter and spirit of the laws, guidance, and directives. Furthermore, it provides a strategic vision for a more robust control framework than is currently prescribed. From these two perspectives, a road map emerges that outlines many of the critical elements that must be addressed to successfully implement changes to the current MCP to achieve a more robust framework. Finally, implementation considerations address what is involved in making changes of the magnitude of those envisioned in the roadmap to achieve the successful implementation of a new control framework.

6.1. As Is (Situation):

The "As Is" situation is addressed by MCP element: Policy, Operations, Personnel, Risk Management, Training, Performance Metrics, Cost Control, and Tools and Technology. Further, the "What is Prescribed" for each element is shown followed by the "What is Happening." For applicable sections, a listing of recommendations is also included.

For each MCP element, a status was provided. This status uses the standard Army color chart – green for good, amber for caution, and red for danger or stop. The prescribed vs. observations status reflects how closely the current process matches what is prescribed. The "observations vs. end-state status" reflects the gap magnitude between the observed process and the end-state vision.

6.1.1. Policy

6.1.1.1. What's currently prescribed

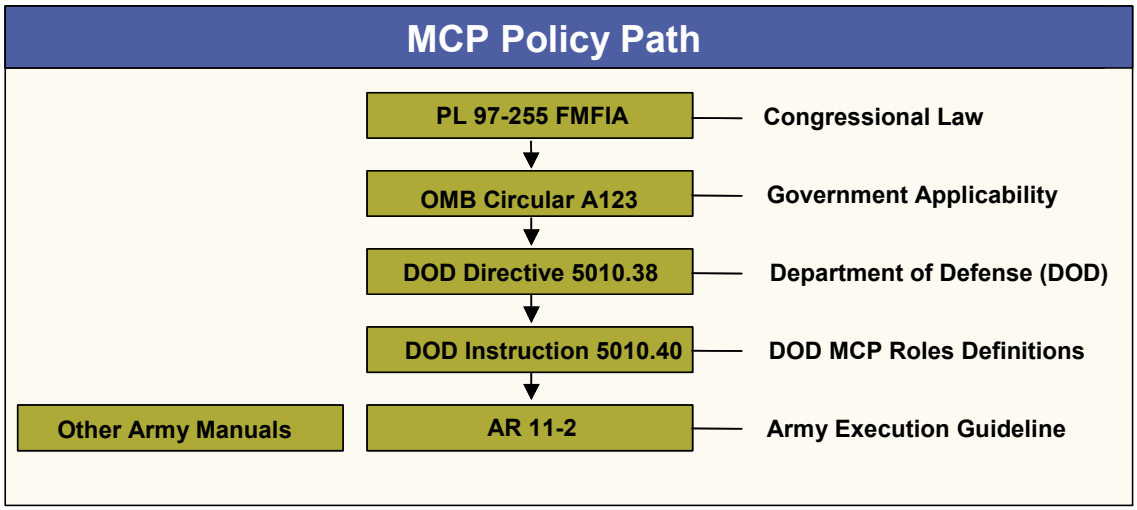
Statutory Basis. The statutory basis for management control for Federal agencies is the FMFIA. The FMFIA requires the head of each executive agency to:

- Establish management controls to provide reasonable assurance.
- Report annually to the President and Congress on whether these management controls comply with requirements of the FMFIA, to include the following:
  - A report identifying any material weaknesses (MW) in these management controls, along with plans for their correction, and
  - A report on whether accounting systems comply with the principles, standards and related requirements prescribed by the Comptroller General, to include deficiencies and plans for their correction.

Policy guidance. The statutory requirements are translated into policy guidance by:

- Office of Management and Budget (OMB) Circular A-123, Management Accountability and Control, dated 21 June 1995. This Circular provides "high level" guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on management controls.
- DOD Directive 5010.38, Management Control Program, dated 26 August 1996 and DOD Instruction 5010.40, Management Control Program Procedures, dated 28 August 1996. These DOD policy directives require DOD Components to have a process for the periodic evaluation of management controls.
- Army Regulation (AR) 11-2, Management Control, dated 1 August 1994.

FMFIA and other legislation establish the legal mandate for the MCP. OMB Circular A-123 (Management Accountability and Control) drives the MCP framework for the Federal Government, with GAO guidelines on control elements. DOD Directive 5010.38, with its supporting definitional document DOD Instruction 5010.40, defines MCP for the DOD. AR 11-2 (Management Control) explains the role of key personnel, including AUMs and MCAs. This document further states MCP requirements for the Army. Other Army manuals further clarify Army leader roles and responsibilities.



Policies addressing controls for the Army are fed from two sources, Law and other Army Procedures.

6.1.1.2 What's actually happening

Even though current policies and regulations (i.e. DOD Directive 5010.38) address operations, financial reporting, and compliance, some field personnel perceive a financial reporting focus. This is at least partially attributable to MCP responsibility at the Headquarters level falling under OASA (FM&C).

AR 11-2 defines roles for the personnel within MCP, with management and administrative responsibilities clarified. These roles are detailed later in the Organization and Personnel sections. Controls are used to varying degrees across the commands, although some perceive that controls focus almost exclusively on the annual Statement of Assurance (SoA), referred to by some as a "paper drill." In reality, Command personnel exercise controls in daily activities, but do not necessarily equate these actions to the MCP.

(Continued)

MCP Differentiator	Observations	Intended Design (Prescribed)	Status
Policy	- Operational and compliance aspects are addressed along with financial reporting, though some perceive a heavier financial emphasis	- MCP requirements apply to all Army programs and operations. - Efforts focus on safeguarding assets, effective / efficient program execution, accounting for revenues & expenditures & compliance with laws	**Amber**

6.1.2. Operations (How the MCP is executed)

6.1.2.1. What's currently prescribed

Policies and procedures for the Army MCP are outlined in AR 11-2, Management Control. The Army process is better understood in terms of

(1) day-to-day program execution, which occurs throughout the year and

(2) the annual cycle for development of the Army's SoA on Management Controls, which occurs in the summer for field activities and in late summer / early fall for Headquarters Department of the Army (HQDA) activities.

Program Execution. Consists of the following components:

- Key Management Controls. In order to streamline the MCP and reduce the workload associated with it, the required management control evaluations are selective, focusing on key management controls (i.e. definition from AR 11-2). HQDA functional proponents identify these key management controls in appendices to their Army regulations and provide guidance on how evaluations may be conducted. The Army management control staff maintains an inventory of all required evaluations and makes this available Army-wide through its management control web site.
- Management Control Plans. At all levels, commands and activities determine which evaluations are applicable to them and schedule their evaluations for completion over a five-year period. The result is a locally developed Management Control Plan, which defines the functional areas in which key management controls will be evaluated, the five-year schedule for conducting these evaluations and the office responsible for conducting each evaluation. The Management Control Plan must be retained on file subject to audit. By pinpointing responsibility – what must be evaluated, by whom, and when – the Management Control Plan provides accountability; support for the command or activity's annual statement; and an audit trail for subsequent review by Army Audit Agency (AAA) or Internal Review (IR) personnel.
- Management Control Evaluations. For each evaluation, the responsible office must test each key management control to determine whether it is operating as intended. This testing can take various forms, to include: sampling, observation, interview, simulation or file search. Evaluations are documented on a Department of the Army (DA) Form 11-2-R, which should indicate how each control was tested, what deficiencies were detected and what action was taken. The completed DA Form 11-2-R must be approved / signed by the appropriate Assessable Unit Manager (AUM) and retained on file subject to audit. One option is to ask IR for assistance.

- Assessable Unit Managers (AUMs). MACOMs and HQDA staff agencies segment themselves along organizational lines into assessable units, which must be headed by no less than a Colonel (0-6) or GS-15, except where the grade structure does not support this. In these cases, the AUM may be the senior functional manager, regardless of grade. While most of the detailed work associated with a management control evaluation continues to be done by personnel at lower levels, the certification has been raised to a substantially higher level ensuring that mid-to-upper level managers are involved in, and accountable for, the evaluation of their management controls.
- Annual Statement. To support the FMFIA-required DOD SoA, the OUSD (Comptroller) requires supporting statements from the Heads of DOD Components. To support the Army's annual statement:
  - The OASA (FM&C) requires supporting statements from MACOMs and HQDA staff agencies. Tasking instructions are issued each spring with these SoA feeder statements from MACOMs and HQDA agencies required in late summer (Note: OSD has advanced the due date for the Army statement to 1 October, so MACOM and HQDA statements will now be required in mid-August and late September, respectively).
  - The OASA (FM&C) management control staff uses these feeder statements to develop a draft Army statement, which is then coordinated in a HQDA staff review.
  - The Army's Senior Level Steering Group (SLSG) meets to conduct a final corporate review of the proposed Army statement.
  - The AAA conducts an annual review of how the MCP has been implemented.

Fund certifying and disbursing officials throughout the Army carry out the OASA (FM&C) fiduciary responsibilities related to managing and controlling funds. Fund certifying and disbursing officials ensure Army funds are used for the right purpose at the right time. These financial execution officials make sure what should happen does happen, and what shouldn't happen does not happen. This is a critical internal management control function, and these positions are inherently governmental.

6.1.2.2. What's actually happening

General Observations

The Management Control five-year plan is retained on file subject to audit, and is reviewed by the AAA during their 3 to 4 year audit cycle, although field interviews suggest this plan is not necessarily referenced by anyone after it is prepared, as a tool for control purposes. While AAA audit reports have consistently reached positive conclusions about the Army Management Control Plan and have supported the Army's assertion of reasonable assurance, they have identified several weaknesses over the past few years:

- Leadership – Need to add MCP to Managers Performance Agreements where it is missing
- Training – Need to perform and document tests of MCP controls
- Operations – 10 of the 18 AAA reports issued in the FY02 audit identified MACOM specific regulations that are not in compliance with AR 11-2 requirements. (Actually AAA disagreed with functional proponent decisions not to identify key controls in these areas. Since the functional components agreed and took action the oversight process actually worked).

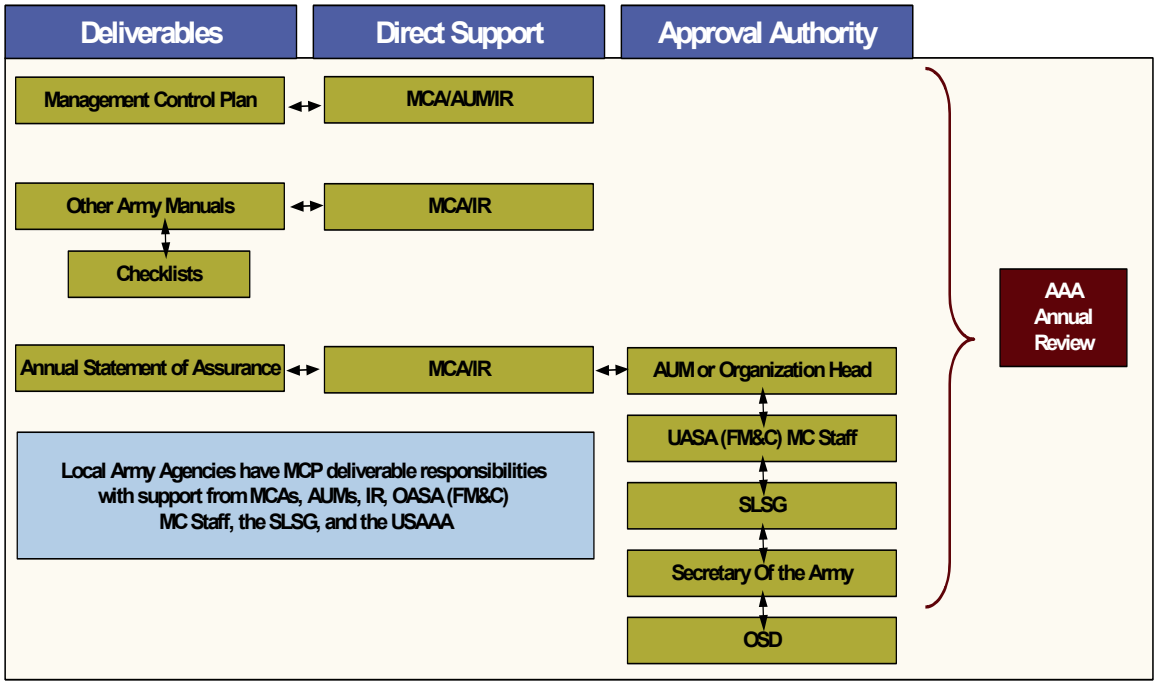
- Material Weaknesses – Need to track those material weaknesses that are not elevated to the next higher level to ensure corrective measures are applied at the appropriate levels

CE (formerly CEAC) has the following management control concerns that they feel need to be addressed:

- Acquisition costs should merit the same attention as O&M costs
- Management control program should be measured

Local MACOM or agency personnel normally do the MCP evaluation, with administrative support from Management Control Administrators (MCA). However, required documentation, especially testing, is not always maintained to facilitate an audit trail.

The HQDA management control staff maintains an inventory of approximately 150 management control checklists for the required evaluations and makes these available Army-wide through its management control web site. Each Army command and activity uses the appropriate checklists from the evaluation site to develop its own five-year plan for conducting the required management control evaluations. These checklists typically take the form of questionnaires. For each key control, the evaluation must indicate (1) how the control was tested, (2) what deficiency (if any) was detected and (3) what action was taken to correct that deficiency. The completed evaluation is documented on a DA Form 11-2-R, which must be certified by the appropriate AUM.



Approval for key MCP deliverables requires review at several Army levels before OSD submission.

Based on interviews and a review of selected checklists, several observations can be made:

- The HQDA functional proponent must inherently make a "risk assessment" judgment in determining whether a particular functional area has key management controls. The

checklist itself, however, does not require that a risk assessment be made in the course of conducting the management control evaluation.

- The quality of these checklists is uneven, with many in need of improvement.
- There are no checklists (hence, no key controls) in some functional areas where a reasonable person would expect to see them.
- There is no requirement to grade the quality of the checklists in AR 11-2.

Some functional managers assert that the MCP doesn't apply to them because there is no mandatory checklist in an Army Regulation. It should be assumed and made clear that there is at least one key control within every Army mission and function. Otherwise, why is the Army doing the mission or function? When a HQDA proponent has not provided a checklist, AUMs and MCAs should use their own judgment to identify the key controls and use their own method to determine that these controls are in place and operating as intended.

For example, even though an Army checklist is not provide for the Equal Employment Opportunity (EEO) function, the AUM needs reasonable assurance that EEO controls are in place. Another example is that the Inter/Intraservice Support Agreement (ISA) and reimbursement function is a critical control area that does not have a prescribed checklist. Every command should be evaluating their ISA's.

These observations point out the need to strengthen the role of risk assessment in the Army MCP and the need for HQDA functional proponents to play a more effective role in identifying the key management controls that merit formal evaluation. While observations point up the need for further review of checklist adequacy and sufficiency, it is important that the operational needs of the applicable Army function be considered when reviewing these management control checklists.

Finally, there is a perception by some that the SoA is merely an annual "paper drill."

<u>Specific Assessment of MCP Implementation</u>

- Currently, the OASA (FM&C) management control staff works with representatives from AAA and the Office of the Inspector General (OIG) to jointly conduct an assessment of efforts by MACOMs and HQDA staff agencies to implement the MCP. This assessment includes several evaluations and is:
  - Conducted at an action officer level and based on a set of defined criteria
  - Categorized by each MACOM or HQDA staff agency as meeting or exceeding the requirements
  - Used to determine which organizations deserve recognition of good efforts, in the form of letters of commendation (LoC) from the OASA (FM&C).
- This assessment process does not currently result in negative feedback to MACOMs or HQDA staff agencies. In the past, formal feedback letters were used for a period to point out areas for improvement, but these seemed to have had little effect and were discontinued.

For management control within fund certifying and disbursing, OASA (FM&C) is in the process of reviewing and documenting fund certifying and disbursing officials as inherently governmental positions on the Army TAADS/TDA documents and in the FAIR Act inventory. The review process will ensure the appointment orders for fund certifying and disbursing officials are proper and in place. The

documenting process will ensure the fund certifying and disbursing official positions are correctly coded on the TAADS/TDA documents and in the FAIR Act inventory as inherently governmental and not subject to review for outsourcing. Once the documentation is complete, OASA (FM&C) will take a horizontal look across the Army to ensure the number of positions coded as inherently governmental are sufficient to carry on the internal management control function for Army funds.

MCP Differentiator	Observations	Intended Design (Prescribed)	Status
Operations	- Management control evaluations are conducted in accordance with local five-year plans - Material weaknesses and corrective actions are identified in annual statements Key Gap - Identification of material weaknesses is sometimes discouraged due to work required for identification/correction	These following areas are emphasized: - Leadership - Training - MCP execution - MWs	**Amber**

Recommendations being considered:

- It may be desirable to "beef up" this assessment by raising participant(s) level and elevating negative-assessment feedback to the OASA (FM&C) / PDASA (Principle Deputy Assistant Secretary of the Army)[5] level for specific follow-up.
- Controls are inherent in many Army processes and procedures although control activities and risk management assessments need to be embedded in daily processes.
- Acquisition activities will merit the same attention as O&M daily business activities.
- LoC sent to the Commander/AUM.
- An official MCP award of excellence presented to the Command/AUM at a Pentagon Ceremony, similar to the Community of Excellence, Command Supply Discipline and Command Inspection Program awards. The award should target good application of controls in daily activities, prevention of problems through risk assessment, detection and correction of weaknesses at all levels, rather than who had the best annual statement of assurance.

6.1.3 Organization

6.1.3.1. What's currently prescribed

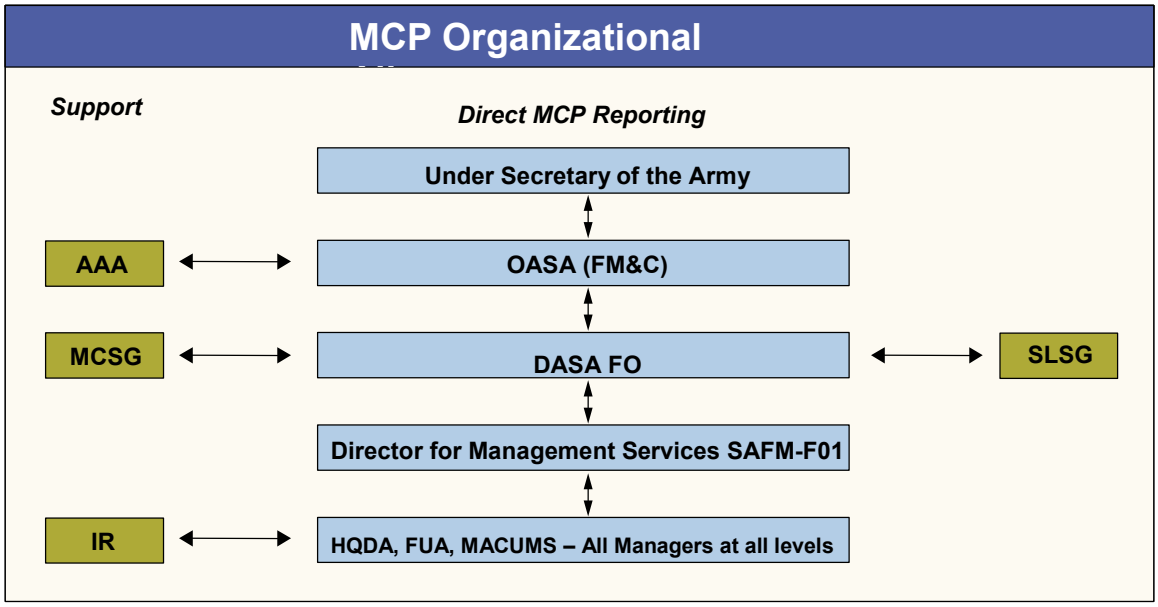
- Army Proponent. The Army proponent for the MCP is the OASA (FM&C). Day-to-day management of the process is the responsibility of the Director for Management Services (SAFM-FOI) under the Deputy Assistant Secretary of the Army (Financial Operations)(DASA (FO)). A distinction must be made, however, between responsibility for this overall Army process and responsibility for management controls in the conduct of day-to-day operations. The FMFIA, OMB, DOD, and Army policy directives clearly indicate that all managers – at all levels, and in all functions, programs and processes – are directly

[5] PDASA: Principal Deputy Assistant Secretary of the Army

responsible for establishing effective management controls in their operations. Hence, while OASA (FM&C) is the proponent, commands must manage their MCAs.

- Tasking and Submission of Statements of Assurance (SoA). OASA (FM&C) sends guidance and tasking instructions to the MACOMs, Field Operating Agencies (FOA) and HQDA staff agencies. These organizations in turn submit annual SoAs, which the Directorate for Management Services (DMS) uses to develop the Army annual SoA. Each of these organizations designate a MCA at the headquarters level who coordinates the process for that organization and who works with MCAs in subordinate elements. On a day-to-day basis, the Directorate for Management Services communicates through this network of MCAs to provide guidance and training materials, resolve policy questions, and coordinate on a range of actions and issues.
- Organizational Placement. OASA (FM&C) has not issued guidance dictating where organizations should place responsibility for the MCP; the view has always been that what mattered was effective process implementation, not its organizational placement. Organizations have generally placed the process within their Resource Management (RM) offices, although a few have placed it in their IR offices.
- Senior Level Steering Group (SLSG). The SLSG is an Army committee composed of general officer and Senior Executive Service representatives from HQDA agencies. The SLSG meets twice a year to discuss and resolve management control issues:
  - In the spring, the SLSG meets to (1) conduct a mid-year review of progress in correcting previously reported Army-level material weaknesses and (2) discuss any additional management control deficiencies that could merit reporting as Army weaknesses in that fiscal year's SoA.
  - In the fall, before the SoA is submitted to the Secretary for approval and signature, the SLSG meets to:
    - conduct a final corporate review of the proposed Army SoA
    - resolve any other issues.
- US Army Audit Agency (AAA). AAA plays an active role in assessing the MCP:
  - In terms of day-to-day execution, AAA looks at the effectiveness of management controls in the course of every audit it conducts. When it identifies functions it believes merit the identification of key management controls in governing Army regulations, it will make a recommendation to the appropriate HQDA functional proponent.
  - As an advisor to the Army's SLSG, AAA also identifies and recommends material weaknesses for inclusion in the SoA.
  - In terms of the annual statement cycle, AAA conducts an annual review of the Army process, which involves on-site visits to selected Army commands and HQDA activities to assess their implementation of the Army MCP. AAA attempts to visit every MACOM and HQDA activity on a 3-4 year cycle. Based on this annual review, AAA produces an independent assessment from the Auditor General (AG).
  - For every material weakness reported in the Army's annual statement, AAA is responsible for validating that the corrective action(s) taken have, in fact, resolved the problem (or reduced its scope to the point where the problem is no longer material).
- Management Control Steering Group (MCSG). In September 2001, the DASA (FO) chartered the establishment of the Army's MCSG. The purpose of the MCSG is to review

policies, regulations and practices and offer recommendations to the DASA (FO) and the Director, Management Services on management control matters (e.g., changes to policies and regulations; strategies to improve the process; marketing; strategic planning; and training). The MCSG is organized into three subcommittees and is staffed on a volunteer basis with senior management control personnel from the Army's Major Commands.



Although ultimate responsibility for MCP rests with the Secretary of the Army, each Functional Manager is responsible for establishing effective management controls

6.1.3.2. What's actually happening

Our interviews and observations show the process is following organizational guidelines prescribed in AR 11-2. The AUMs, the MCAs, the SLSG, the AAA, and the MCSG are organizationally functioning as designed under OASA (FM&C). The AUMs have overall MCP responsibility within their organization, while the MCAs administer the MCP.

MCP Differentiator	Observations	Intended Design (Prescribed)	Status
Organization	- AUMs, MCAs, SLSG, AAA, IR, and MCSG organized and functioning as designed	- Functional roles for AUMs, MCAs, SLSG, AAA, IR, and MCSG are prescribed in AR 11-2	**Green**

Recommendations being considered:

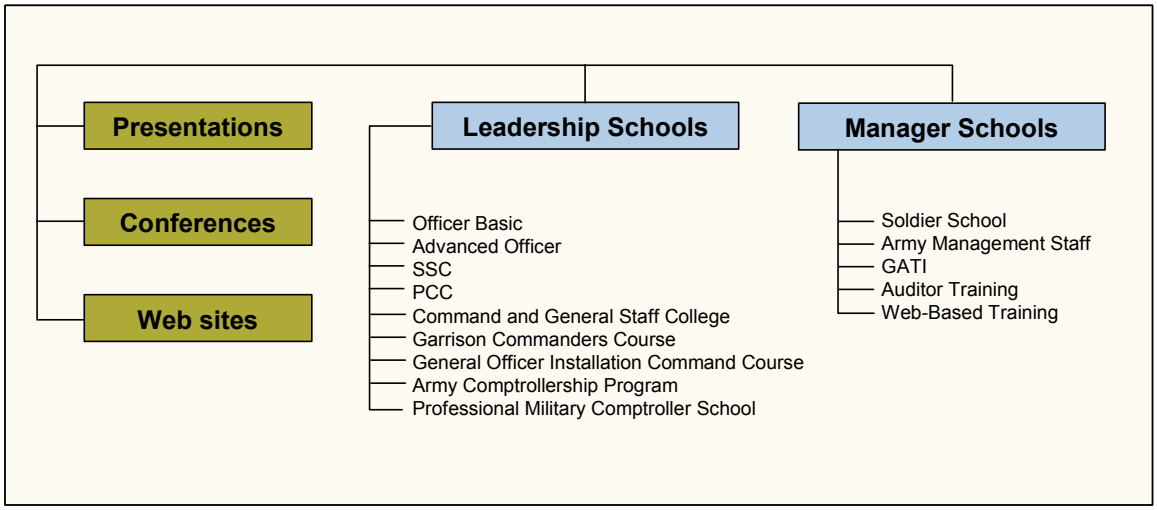
The IRSG is currently considering revising AR 11-7 (IR Guidelines) to reflect adjustments (i.e. IR personnel job descriptions, etc.) that OASA (FM&C) has recently proposed. These revisions must address how IR impacts the revised MCP. Army guidance, including appropriate Field Manuals Series, also need to reflect MCP modifications as they are made.

(Continued)

6.1.4. Training

6.1.4.1. What's currently prescribed

AR 11-2 requires MCAs at all levels to identify their organization's requirements for management control training and provide that training (either through in-house training efforts, attendance at formal classroom training, or by arranging for an outside activity to provide it).



Training is both active (Schools, Presentations, Conferences) and passive (Websites)

6.1.4.2 What's actually happening

- Direct Training Assistance: The OASA (FM&C) management control staff has focused its efforts on embedding management control instruction in the Army's education and training structure, rather than directly providing this instruction itself. This approach has the benefit of providing more comprehensive and cost-effective management control training, and reaches a wider student population. HQDA provides some direct training assistance:
  - Presentations. The Principal Deputy Assistant Secretary of the Army (FM&C), the Deputy Assistant Secretary of the Army (FO) and OASA (FM&C) management control staff make a substantial number of presentations every year on MCP (31 presentations in FY 2003 to 1,996 commanders, AUMs, and managers).
  - Management Control Training Conference. To enhance the ability of MCAs to run their own processes and conduct their own training, the management control staff conducts an annual Management Control Training Conference. The FY 2003 conference provided 154 MCAs from MACOMs and HQDA staff agencies with information on management control policies and procedures. They also host a forum to discuss current issues and ideas for better process implementation. After the conference, the MCSG, working with the Army Reserve Readiness Training Center (ARRTC), conducts a customer survey to ensure this training meets the needs of the management control community.
  - Management Control Web site. The OASA (FM&C) management control staff maintains an Army management control website to provide accurate and easily accessible information on policies, procedures, program execution and training in a user-friendly manner to commanders and managers throughout the Army.

(Continued)

- Education of Army Leadership. The management control staff has taken action to ensure that the management control message is included in the curricula of the Army's primary leadership schools, including: Officer Basic, Advanced Officer, SSC, PCC, General Officer Orientation, the Command and General Staff College; the Garrison Commanders' Course; the General Officer Installation Command Course; the Army Comptrollership Program at Syracuse University; and the Professional Military Comptroller School.
- Training of Army Managers: In addition to direct training and efforts to improve leadership education, management control instruction has been incorporated into courses designed to train Army managers:
  - Army Schools. Instruction in stewardship and management control has been incorporated in Army soldier schools to include the Officer and Warrant Officer Basic/Advanced courses, the Advanced Non-Commissioned Officer and First Sergeant courses, and the Combined Arms and Services Staff School.
  - Army Management Staff College. Instruction in stewardship and management control has been incorporated in the 12-week Sustaining Base Leadership and Management Program.
  - Government Audit Training Institute (GATI). The management control staff has worked with GATI (a part of the US Department of Agriculture's Graduate School) to develop two courses tailored specifically to the Army's management control process: a basic one-day on-site course for managers and a two-day course specifically designed to train MCAs.
  - Auditor Training. The AAA has incorporated instruction on the Army's MCP into its training courses for both AAA and IR auditors, with separate courses provided for basic, intermediate and senior auditor levels.
  - Web-based Training. The MCSG, working with the Army Reserve Training Center (ARRTC), developed a series of web-based training modules that provide instruction on various facets of MCP.

Although the prescribed training appears thorough, interviews suggested an opportunity for improving the quality, nature and methods of MCP training. In previous years, the OASA (FM&C) management control HQDA staff worked to include blocks of management control instruction in Army schools, but constrained staffing has limited adequate follow-up to ensure these blocks of instruction are included or are still current, especially when addressing the continual need for retraining from personnel turnover. MCP must be embedded in Army Command leadership as a daily task, not an annual "paper drill."

MCP Differentiator	Observations	Intended Design (Prescribed)	Status
Training	- Substantial training is being conducted, but training should be updated and expanded, even though frequency and type of training is not specifically prescribed	- MCAs are required to identify management control training requirements and provide that training although specific training is not prescribed	**Amber**

(Continued)

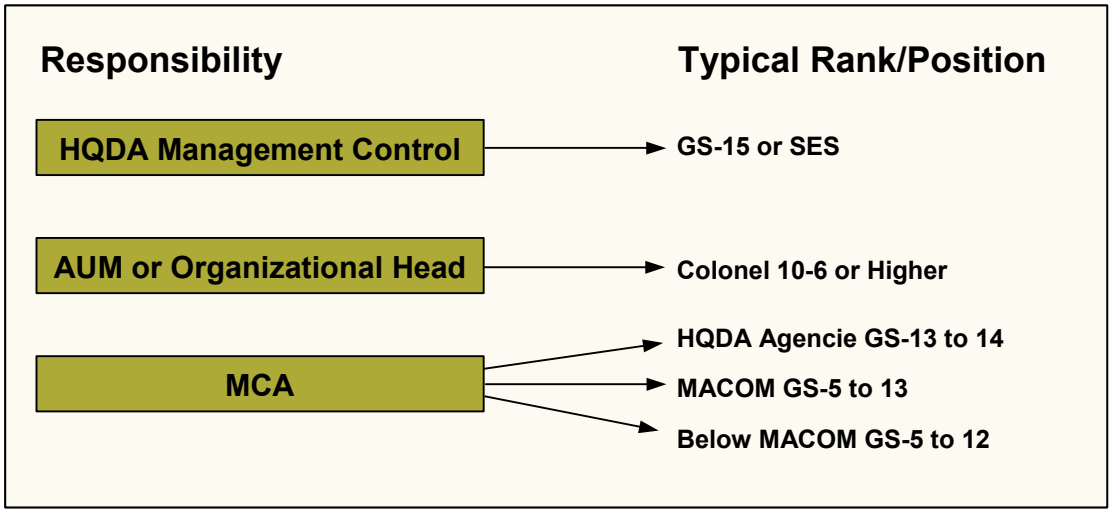
Recommendations being considered:

- Support could be used for the following Management Control Instruction (MCI):
  - Inventory these courses, as well as others that should include MCI
  - Review MCI material currently in the Program of Instruction (POI) of these courses.
  - Identify those MCI blocks that need to be updated or added, develop proposed blocks of instruction, and provide them to the schools.
  - Monitor the actions of these schools to institutionalize these MCI blocks of instruction.
  - Consider pre-test, post-test, or various media for training.
  - For the next AR11-2 update explicitly require:
    - MCO training within the FY of appointment for all newly appointed MCAs and AUMs, with a requirement for refresher training every three (3) years
    - MCP training triennially for all Army employees (military, civilian, and contractor) regardless of grade level or position

6.1.5. Personnel

6.1.5.1. What's currently prescribed

AUM and MCA functions are prescribed with duties defined in AR 11-2.



The rank/position required for various responsibilities infers more than just a one dimension administrative MCP focus.

6.1.5.2. What's actually happening

No real difference appears to exist between prescribed functions and actual MCP personnel performing these functions.

AUMs of a reporting entity are typically the Organizational Head of a major staff function. HQDA and MACOM MCAs often have few duties other than management control, but they have oversight and coordination responsibility for several reporting entities. In short, AUMs are responsible for the MCP, but the MCA provides administrative support for the AUM. Due to the multiple tasking of AUMs and/or Commanders, MCP emphasis from local leadership appears to be lacking in some cases.

- Extent of MCA Duties. Individuals below HQDA and MACOM levels, who are designated as MCAs, generally perform this function as an additional assigned duty. MCA duties rarely

constitute the bulk of a position, but in organizations which they do, the programs are stronger and more active e.g., the National Guard Bureau, Army Reserve, Army Materiel Command (AMC) and Forces Command.

- Grade / Rank. The grade / rank of MCAs varies by organization level:
  - For HQDA staff agencies, MCAs are generally GS-13 or GS-14 (only 3 military MCAs, O-4 to O-5).
  - At MACOM HQ, MCAs are generally GS-9 to GS-13 (no military).
  - Below MACOM level, MCAs are generally GS-5 to GS-12 (few military, O-4 and below).
- Turnover. Like any other Army program or process, personnel turnover is a significant factor with MCAs that adversely impacts the quality of the program. Of the 35 MCAs at HQDA staff agencies and MACOMs, approximately 5 or 6 will change in any given year, reinforcing the need for continued training and strong HQDA proponent oversight.

MCP Differentiator	Observations	Intended Design (Prescribed)	Status
Personnel	- Prescribed duties appear to be performed, with personnel assignments, grade levels, and location left to local judgment	- Personal requirements are not prescribed, only specific duties	**Green**

6.1.6. Performance Metrics

6.1.7. What's currently prescribed

- Army MCP has no current performance metrics. Needed metrics should reward appropriate behavior (outcomes such as risk assessment embedded in daily leadership), not just inputs[6] or outputs.[7] For example, a quantifiable measure such as "material weaknesses identified" is fairly easy to capture. However, this measure does not provide all information needed. Whether the material weaknesses is truly significant, the level of correction difficulty involved, the length of time for correction, and other factors (such as material weaknesses not documented) need to be covered also to ensure that identification is not overly stressed at the expense of actual correction. Metrics for the overall program (strategic outcome measures to reflect whether the MCP is adequately performing) and for the project (tactical output measures such as how many material weaknesses are identified and corrected) are under consideration. All measures must link to missions and Army immediate focus areas.
  - Program metrics could measure the cases of fraud, negative publicity, complete and on-time SoA submissions, etc.
  - Tactical measures could be the number of material weaknesses and the time required to correct them, the number considered significant to elevate to the next level (MACOM to HQDA to OSD). Capturing material weaknesses not reported would be an audit activity.

[6] E.g. number of training classes scheduled
[7] E.g. number of audits performed with MWs verified

One test to be considered is whether metrics adequately link situations such as a command detecting no material weaknesses but then not be considered negligent because it corrected no material weaknesses.

- For the Army at large, metrics must capture the absolutely essential controls, or measures that must be implemented and sustained in daily operations to ensure organizational effectiveness and compliance with legal requirements (that is, a key metric is one whose failure would 'break' or seriously impair a system or process).

  Examples of current "high level" metrics stressing outcomes over inputs and outputs include:

Objective or Goal	**Metric**
Ready Force for Today/Future	Forces meeting required Army readiness objectives
Sustain the Army	USR Operational Readiness Rates of designated troops and equipment
Train the Army	Validated unit training requirements that are funded
Equip the Army	% of Total Army overall equipment (Current/Future Force) on-hand status
Communicate Across the Army	% of installations that have a C minimum rating quality
Mobilize the Army	Capability of current institution training base to expand to meet the mobilization requirement

6.1.7.1. What's actually happening

The challenge is not developing new metrics, as hundreds already exist, but rather integrating or "repurposing" existing metrics. The metrics should continue to satisfy their original operational purpose and also satisfy MCP requirements. Metrics have been developed via the Balanced Scorecard (BSC) program, OSD, and Internal Review, among many others. The goal should not be to add metrics but to validate existing ones and re-use them for MCP purposes where possible, synchronizing them with current Army programs as applicable.

- For the BSC program, more than 200 measures have been reviewed, many of which could also apply as control measures. These measures are categorized as input, output, and/or outcome type measures, with emphasis on outcome type metrics (behavior measures). Some 74 Army-wide measures, 98 Program Element Group specific measures, and 76 additional financial measures have been documented.
- A report card for SoA submission adequacy is currently under development at the OSD level, where the Army annual SoA compilation is sent.
- Specific "quantifiable" tactical measures are also being discussed.
- By example, IR metrics are instructive:

Current Metrics. The IR Program primarily measures performance by using customer surveys and the number of days needed to complete an engagement. In the last survey of commanders in FY 2000, 15 of 19 indices in the survey achieved or surpassed established goals. Production time has decreased

from about 56 direct auditor days per engagement in 1992 to about 13 direct auditor days per engagement in 2000.

Additional Metrics. The following metrics have been developed for measuring IR performance at the installation level through the Installation Status Report (Service: 94, IR):

- Performance Measure 94 - 01: Return on investment (ROI) (from the IR Semi-Annual Report).
- Performance Measure 94 - 02: Score from last fiscal year Annual Quality Assurance (QA) Review.
- Performance Measure 94 - 03: % of required follow-up reviews completed within six months of implementation date.
- Performance Measure 94 - 04: % of available audit time used for audit.
- Performance Measure 94 - 05: Audit productivity.

These additional metrics are now being used.

An operational example relates to measuring risk assessment, and the number of Army functions with adequate controls in place and embedded in daily operations, with possibilities such as:

- % of critical Army functions with risk assessment and risk mitigation procedures instituted within all command levels
- % of Army functions with policies and procedures in place and being followed
- Policy and procedure updates are current

Quality Control. Currently in accordance with Generally Accepted Government Auditing Standards (GAGAS), IR has an internal QA program and undergoes an external QA reviews every 3 years. Guidance for conducting QA reviews is contained in Chapter 10, QA, IR Guide.

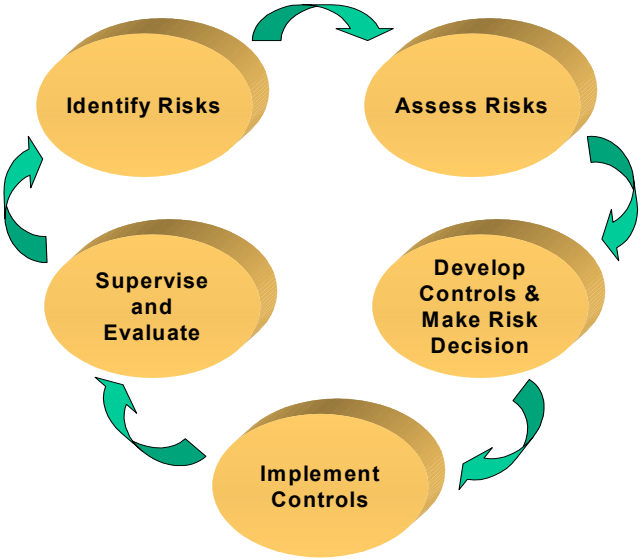
MCP Differentiator	Observations	Intended Design (Prescribed)	Status
Performance Metrics	- No performance metrics are currently defined for MCP. - New metrics are not necessarily needed, but current metrics should be reviewed for MCP program functional application	- Performance metrics for the Army MCP have not been specifically identified	**Amber**

6.1.8. Risk Assessment

6.1.8.1. What's currently prescribed

The current MCP does not include any requirement for risk assessments. Within the Army Risk Assessment guidelines in FM 100-14, controls are supposed to have risk assessment, with five process steps identified, as detailed in Section 4.2 Risk Assessment. The five-step process below comes from FM 100-14 (Army Guidance) even though it is not specifically referenced in MCP requirements.

Risk Management Five Step Process



The risk management process represents a way to manage risk, as well as a feedback loop that allows for the continuous assessment of risk. With its risk assessment component it is central to MCP effectiveness as defined and discussed in AR 11-2.

(Continued)

6.1.8.2. What's actually happening

Risk assessment does not appear to be an explicit part of MCP as it is currently executed. Although some level of risk assessment is done for controls, and risk assessment is inherently embedded in many Army processes and procedures, documentation appears to be lacking, especially for any cost/benefit analysis within Step 2. Leaders do not always appreciate the return on investment and the assurance that risk management provides as leaders make decisions. This is an area where enhanced training and adding specific requirements for risk assessment within AR 11-2 will help overcome the lack of understanding of risk assessment and how to conduct it.

MCP Differentiator	Observations	Intended Design (Prescribed)	Status
Risk Assessment	- Though risk assessments are being conducted, they are not documented	- Risk assessment is not currently required	**Amber**

6.1.9. Tools and Technology

6.1.9.1. What's currently prescribed

Tools and technology are not prescribed per se. The charge in AR 11-2 is to prepare the Management Control Plan, formally evaluate functions scheduled in the plan using checklists, and submit the annual statement of assurance. The inference is to use the tools and technology available to perform these tasks.

6.1.9.2. What's actually happening

Microsoft Office Suite is one of the primary tools used, with the MCP and IR websites plus the AKO link to ASK-FM providing support information. Through ASK-FM, and the Performance Metrics Warehouse (PMW), the Army is moving toward more visible, centralized, accurate and timely accounting of costs and controls for operational, financial, and compliance issues. This "Digital Dashboard" accounting, though still historical as opposed to projecting cost and control, is a step in the right direction in supporting Army leadership decision-making. ASK-FM is partially operational with more functionality planned. The PMW, currently being stood up, is a query system that provides close-to-real-time financial and operational data in a user-friendly format, writing data queries into Army legacy systems for data capture. The PMW is currently operational for many of IMA's 95 service areas, but is still a few years away from drill-down reporting for the other functional areas. Robust predictive costing through these tools is also a few years away from implementation.

Specific MCP tools used in management control activities include:

- The Internet. A Management Control website is maintained by OASA (FM&C) for posting guidance, reference material, training information, and the Inventory of Required Management Control Evaluations is maintained.
- Training. Several training CDs and several on-line training modules at a website maintained by the Army Readiness Reserve Training Center
- Electronic Submission of Statements. MACOMs and HQDA staff agencies have the option to submit their annual statements electronically to OASA (FM&C). They can submit their statements by email with attached *Word* files for all portions of the statement except the signed cover memorandum, which must be provided as a PDF file (as it contains the commander's actual SoA).

Management control activities leverage technology to improve the audit process and provide better service to their Commanders. Specific examples include:

- Analytical Software. IR offices routinely use *Microsoft Access* and *Excel* for analyzing data. Many offices have started using *Audit Command Language (ACL)* or other tools such as *IDEA* to perform more in-depth analysis and data mining. IR offices have developed procedures and programs for using *Access, ACL* and *IDEA* to analyze purchase card, travel card and overtime data to identify unfavorable trends or potentially fraudulent or wasteful transactions.
- Audit Management System (AMS). AMS is an Access-based audit management tool developed by IR personnel. AMS tracks engagements both internal and external to the command, to include the implementation status of corrective actions, auditor time charges, training and travel cost. AMS also provides management reports to monitor audit progress and efficiency.

MCP Differentiator	Observations	Intended Design (Prescribed)	Status
Tools and Technology	Numerous hardware and software tools and technologies, including web sites, are used in control processes and documentation	Use of available tools to generate management control plan, complete evaluation checklists, and annual statement of assurance	**Green**

Recommendations being considered:

On-line / Automated Submission of Annual Statements

One suggestion is to develop an on-line / automated tool that MACOMs and HQDA staff agencies can use to electronically develop and submit their feeder statements to OASA (FM&C). This could involve a series of screens for each of the major portions: TAB A (how their assessment was conducted), TAB B-1 (the listing of material weaknesses), TAB B-2 and B-3 (format for individual weaknesses themselves) and TAB B-4 (management control accomplishment).

- Advantages: if feasible, this approach could:
  - Reduce the data call administrative burden of compiling the SoA from feeder SoAs
  - Improve the consistency of the feeder SoAs by leading the reporting organization through prescribed sections (i.e., ensuring that all information requirements are met)
- Disadvantage: this would require an electronic security measure to ensure that the feeder SoAs are actually approved by the MACOM Commander or HQDA Principal.

On-line / Automated Tools for Program Execution:

Another HQDA suggestion related to two primary tasks in the day-to-day execution of the MCP involves documents that might be offered in an on-line / automated form:

- Developing a Management Control Plan to schedule evaluations.
- Conducting and documenting each Management Control Evaluation.

(Continued)

- Management Control Plan. At present, this document is generally prepared using normal office applications (e.g., *Excel* or *Word*). By design (for flexibility), the only format requirement is that the plan must clearly indicate which areas will be evaluated, by which office and in which fiscal year.
    - Advantage: An on-line / automated tool would walk the field activity through the process of developing their own Management Control Plan, ensuring that they understood its logic and basic requirements.
    - Disadvantage: Any tool that would, in effect, mandate a specific format would not necessarily be desirable, as this would reduce reporting flexibility currently available. Instead, a beneficial tool would offer a template field activities could choose to adopt, or (even better) would provide this template along with formatting options.
- Management Control Evaluation. At present, this document is prepared using a DA Form 11-2 that is available in a formatted Word file and in E-Forms. In contrast to the flexibility of the Management Control Plan, the DA Form 11-2 has firm requirements for information that must provided / documented.
    - Advantage: An on-line / automated tool would walk the field activity through the process and logic of conducting and documenting a MCP plan. This would be a major improvement, as failure to properly document evaluations is a frequent AAA finding.
    - Disadvantage: None. Unlike the feeder statement, the DA Form 11-2 is not a report that must be submitted outside the organization after signature. Certification of the DA Form 11-2 can be accomplished by simply printing the final form and submitting it in hardcopy to the AUM for approval / signature.

On-Line Support Assistance Source

Move management control from OASA (FM&C) web page to AKO web page to emphasize that management control is Army-wide, not just OASA (FM&C) focused.

6.1.10. As Is conclusion(s)

The following table summarizes the above reconciliations of MCP observations of the current state to MCP intended design. The difference between observations and the intended design represents a "high level" gap analysis.

MCP Differentiator	Current Observations	Intended Design (Prescribed)	Status
Policy	- Operational and compliance aspects are addressed along with financial reporting, though some perceive a heavier financial emphasis	- MCP requirements apply to all Army programs and operations. - Efforts focus on safeguarding assets, effective / efficient program execution, accounting for revenues & expenditures & compliance with laws	**Amber**
Operations	- Management control evaluations	These following areas are	**Amber**

(Continued)

	are conducted in accordance with local five-year plans - Material weaknesses and corrective actions are identified in annual statements Key Gap - Identification of material weaknesses is sometimes discouraged due to work required for identification/ correction	emphasized: - Leadership - Training - MCP execution - MWs	
Organization	- AUMs, MCAs, SLSG, AAA, IR, and MCSG organized and functioning as designed	- Functional roles for AUMs, MCAs, SLSG, AAA, IR, and MCSG are prescribed in AR 11-2	**Green**
Training	- Substantial training is being conducted, but training should be updated and expanded, even though frequency and type of training is not specifically prescribed	- MCAs are required to identify management control training requirements and provide that training although specific training is not prescribed	**Amber**
Personnel	- Prescribed duties appear to be performed, with personnel assignments, grade levels, and location left to local judgment	- Personal requirements are not prescribed, only specific duties	**Amber**
Performance Metrics	- No performance metrics are currently defined for MCP New metrics are not necessarily needed, but current metrics should be reviewed for MCP program functional application	- Performance metrics for the Army MCP have not been specifically identified	**Amber**
Risk Assessment	- Though risk assessments are being conducted, they are not documented)	- Risk assessment is not currently required	**Green**
Tools and Technology	Numerous hardware and software tools and technologies, including web sites, are used in control processes and documentation	Use of available tools to generate management control plan, complete evaluation checklists, and annual statement of assurance	**Green**

For the benefit of transition, the high-level gap is also shown between observations and the end-state vision for MCP. This gap presents the differences between observations and the "ideal" To Be or End-State vision.

MCP Differentiator	Current Observations	To Be or End State	Status
Policy	- Operational and compliance aspects are addressed along with financial reporting, though some perceive a heavier financial emphasis	- Covering Operational, Financial Reporting, and Compliance areas with these elements addressed for each area---	**Red**

(Continued)

		- Control Environment - Risk Assessment - Control Activities - Information/ Communication - Monitoring	
Operations	- Management control evaluations are conducted in accordance with local five-year plans - Material weaknesses and corrective actions are identified in annual statements Key Gap - Identification of material weaknesses is sometimes discouraged due to work required for identification/ correction	- Leadership committed to embedded MCP process within all functions - MCP process emphasizing Risk Assessment with predictive capability - Focus on MW identification/testing with enhanced tracking for correction(s) - Educate managers to address MCP in daily operations - Develop a prestigious MCP award for preventing, discovering, correcting weaknesses, and/or for other strong control activities	**Red**
Organization	- AUMs, MCAs, SLSG, IR, AAA, and MCSG organized and functioning as designed	- MCAs evolve into Management Control Managers (MCM), possibly with higher grade levels and with responsibilities remaining basically the same for other prescribed duties - IR plays a key role in risk assessment	**Amber**
Training	- Substantial training is being conducted, but training should be updated and expanded, as frequency and type of training now varies	- Embed management control methodology with emphasis on risk into daily activities through enhanced awareness programs - Focus on driving desired outcomes, not just outputs, by modifying behavior - Set a standard for frequency and type of training required	**Amber**
Personnel	- Personnel duties appear to be performed with assignments, grade levels, and location left to local judgment	- Additional resources required at various levels to support program duties, such as risk management training	**Red**
Performance Metrics	- No performance metrics currently defined for MCP, - New metrics are not necessarily	- Integrated program with focus on measuring outcomes, not just inputs and outputs, plus	**Red**

(Continued)

	needed, but current metrics need to be reviewed for MCP program and functional applicability	employ new tools and techniques to predict future control weaknesses for design purposes - Emphasize problem avoidance, as opposed to problem detection	
Risk Assessment	- Although risk assessments are being conducted, they are not being documented)	- Use prescribed Army Risk Assessment Five-Element methodology as modified for the MCP effort with applicable documentation	**Red**
Tools and Technology	Numerous hardware and software tools and technologies, including web sites, are used in control processes and documentation	- Fully use ASK-FM, AKO tools, PMW, and other web site technology, for cost, operational, and compliance oversight and MCP support	**Amber**

Having summarized these “gaps”, we will now define the end-state or “To Be” condition. The next section describes the characteristics of the ideal end-state.

(Continued)

6.2. To Be (Mission/Objective/End State)

6.2.1. Introduction.

The objective MCP will be renamed the "Risk Assessment and Management Control Process" (RAMCP). The purpose of this renaming convention is to emphasize three important points:

First, every commander and manager has a mission for which he or she is responsible. Every mission is subject to risks that fall into one or more of three broad categories—operational, financial reporting, and compliance. *Operational* risks are those that directly affect tasks for which the organization exists. This category includes the various functions necessary for mission accomplishment: operations, planning, intelligence, personnel, logistics, acquisition, C4ISR, resource management, and so forth. *Financial Reporting* risks are those that not only impact the adequacy of resources, but also represent those risks to good financial accountability and stewardship. The most visible risks here include Anti-deficiency Act violations. *Compliance* risks are those that affect the organization's effectiveness because of potentially harmful effects, breaches of law, regulations, or policies will have on an organization.

It is important to note that the field perceives today's MCP as being focused on financial management and reporting. Indeed, operations and compliance often have a more direct impact on mission accomplishment and effectiveness than does financial reporting. And so, a holistic approach that treats all three categories of risk is vital.

Furthermore, those risks posing the greatest threats to mission accomplishment are the unit's ***key risks***. The measures each unit takes to mitigate or eliminate key risks are defined as ***key controls***. In a resource-constrained environment, identification of key controls, and corresponding prioritization of resources, is critical to ensuring confidence in mission accomplishment.

The construct, suggested here and described later, offers leaders a methodical thought process, based on sound risk management principles and control. In the objective RAMCP,[8] this thought process will have been exposed to leaders at the earliest stages of their leader development. They will find the principles apply at every level of management and leadership. Likewise, risk management and key controls will be embedded in key mission activities. In the objective RAMCP, leaders and managers will confidently lean on the principles of RAMCP because they offer a comprehensive means for identifying the obvious as well as the subtle risks. In the vernacular of the Revolutionary War's Rodger's Rangers, his first standing order to his men says, "Don't Forget Nothing."[9] Leaders constantly strive for that. RAMCP and its new construct will help them achieve it.

The second emphasizes that the MCP is much more than just an administrative process for developing an annual statement of assurance. It is the *substance* of controls that takes center stage and commands the attention of leaders. RAMCP integrates commander and manager risk assessment into everyday mission activities. It includes fundamental operating principles applied in carrying out those activities, and focuses on the quality and effectiveness of management controls in achieving their purpose—ensuring mission accomplishment.

---

[8] The phrase, ***"In the objective RAMCP,"*** has added significance. It purposefully suggests that the condition that follows each use of the phrase does not exist in today's MCP. Further, it emphasizes the gap between today's MCP and an ideal program.

[9] Major Robert Rogers to his Rangers in 1759.

Finally, imposing the words "Risk Assessment" at the front of MCP helps stress the idea that RAMCP is first about risk—risk to mission, risk to financial reporting, and risk to compliance. In the objective RAMCP, leaders view it as a critical tool for mission accomplishment and good stewardship.

Among the first steps to change from a low-cost, administrative process to a robust, risk-based process will be communicating clearly the importance of such an undertaking. Central to such an effort will be linking current control concepts with future control concepts. We will do this by linking mission, DTLOMS[10], MCP elements, and the future management control framework.

6.2.2. Mission and The Relationship of Current MCP Elements, DOTLMS and the Future (To Be) Framework.

The vision for transforming the Army MCP into the Army RAMCP is consistent with and supports the Army's transformation and the CSA's immediate focus areas.[11]

> **Current to Future Force –** … Army transformation is part of constant change.
>
> ***"The Way Ahead"***

RAMCP takes on added significance because, as the transforming Army examines every process for potential change, it must focus its energy and resources on only those changes that will yield a positive, substantial, and mission-enabling return on investment. Commanders' and managers' resources are simply too strained in today's environment to redirect them for anything less than a "combat multiplier."

An early examination of the Army's MCP identified elements categorized MCP activities and processes. The purpose of these is to ensure a comprehensive evaluation of MCP and to serve a similar role in crafting a future state of MCP. One notes the similarity between the MCP elements and DTLOMS.

DTLOMS was developed to guide requirements determination. The order of *doctrine, organizations, training, leader development, materiel, and soldier systems* is deliberate. As a requirement for a new capability is identified, DTLOMS disciplines the thought process for filling the capability gap. In general (theoretically), filling the gap is less costly in terms of time, manpower and expense as you move from left (D) to right (S). For example, if a ***doctrinal***[12] change will yield the necessary capability, a more expensive and time-consuming ***materiel*** solution will not be necessary. For this document's purposes, DTLOMS is also a useful construct because it relates MCP elements to a concept familiar to most Army leaders.

The team's research efforts led to an exploration of the Comptroller General-adopted components of *Control Environment, Risk Assessment, Control Activities, Information and Communication, and*

---

[10] DTLOMS: DOCTRINE, TRAINING, LEADER DEVELOPMENT, ORGANIZATIONS, MATERIEL, AND SOLDIER SYSTEMS. The team elected to use DTLOMS instead of DTLOMPF in order to take advantage of the original sequence—D-T-L-O-M-S. This sequence forces one to think first of less costly alternatives to new requirements before turning to more expensive solutions. Arguably, DOTLMS' Joint successor, DTLOMPF, is less direct in treating the cost of alternatives. Further, the "F" in DTLOMPF (Facilities) has little bearing on our discussion of the relationships discussed in the next section.

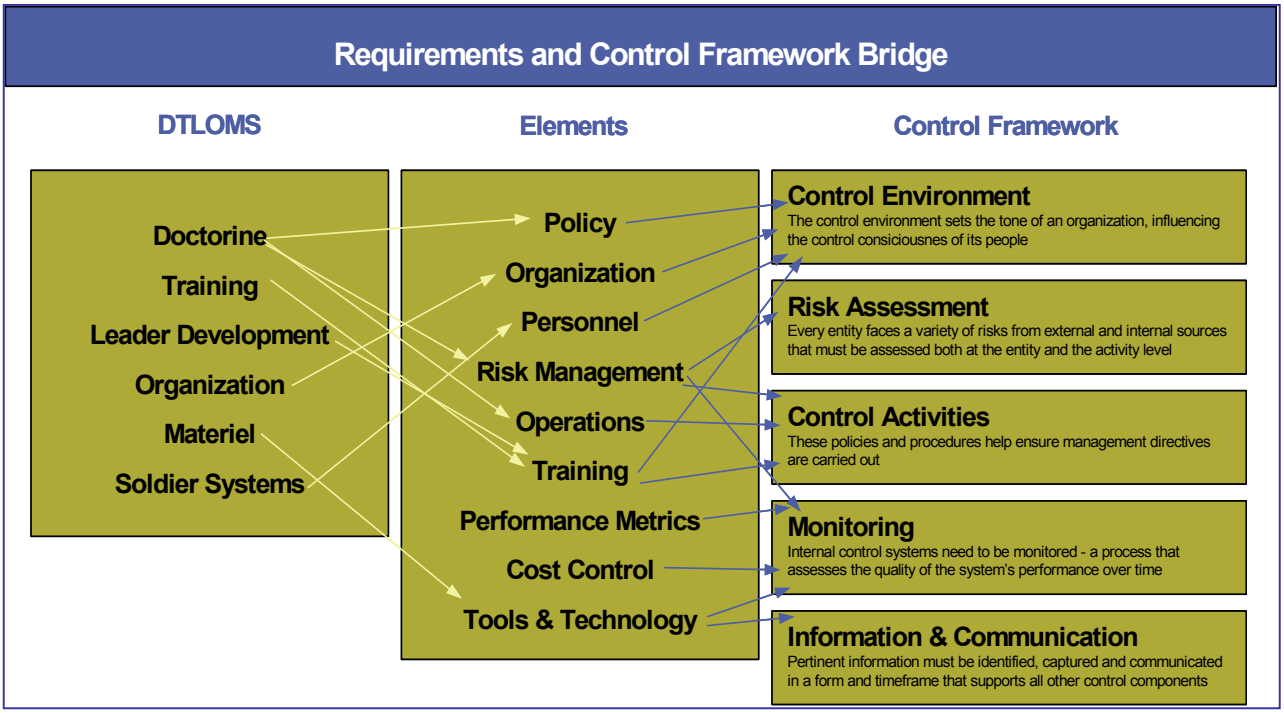
[11] As envisioned in "The Way Ahead" – An overview of The Army Strategic Planning Guidance (ASPG) which is the Army's institutional strategy for how the Army will fulfill its mission.

[12] For our purposes, **doctrine** includes tactics, techniques and procedures. It also includes changes to policy, regulation, guidance and SOP.

(Continued)

Monitoring. This framework also has the advantage of highlighting a more robust treatment of management controls by including not just *financial reporting*, but also *operations*, and *compliance*. As we transition from the MCP elements to this advanced control framework, similar connections between the new components and the familiar MCP elements and DTLOMS become evident.

The team will continue to examine these relationships to maintain connections with the familiar and, importantly, to take advantage of the DTLOMS discipline for filling capability gaps. In this case, the gap between today's MCP and the objective RAMCP.



MCP links back to "As Is" elements and to DTLOMS philosophy as it evolves to the Control Framework Components.

6.2.3. Risk Assessment and Management Control Program Operating Principles.

Fundamental to a successful RAMCP are operating principles at work in every successful organization. The intent for RAMCP is to be a meaningful, substantive and mission relevant contribution to leaders carrying out their day-to-day responsibilities. Any alternative process must adhere to these principles:

- Risk Assessment and associated management controls are leaders' business. Committed leadership is critical to a successful business process. The tone at the top will determine success.
- Leaders own their mission and objectives and are personally invested in their accomplishment and… leaders likewise own the controls that support the mission…
- Leaders communicate those goals and objectives throughout the organization so that every member knows his or her role in achieving them…hence, mitigating or eliminating risks to

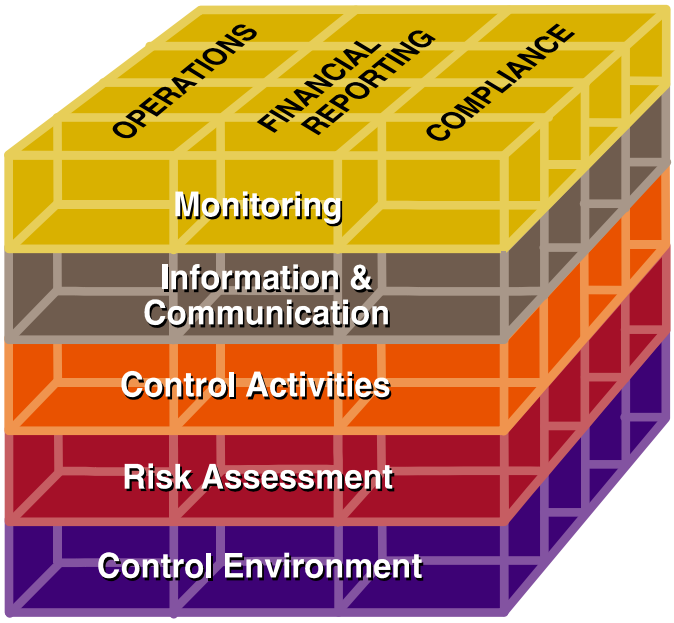
(Continued)

their accomplishment becomes inherent and integral to every task undertaken in the name of the mission.

- Every leader throughout the chain is held accountable for his or her part in achieving success.
- Management controls must be addressed as a continuous process aimed at all mission areas.
- Commanders and staffs must focus organizational energy so as to maximize the return to the soldier and the taxpayer. Central to this principle is the integration of all oversight activities, including Internal Review, the Inspector General and other internal and external inspecting and auditing activities.
- Any process must actively share experiences and lessons learned, and measure the effectiveness of the learning.

6.2.4. Characteristics of the objective RAMCP.

The next sections describe, component by component, the characteristics of the objective RAMCP. This advanced management control framework serves as the guide. Before delving into this framework, it is important to note that the ideal may be unaffordable in the near term (two to five years). Nevertheless, knowing what the ideal looks like aids the decision maker as he or she weighs the costs versus the benefits. Further, the objective RAMCP becomes a beacon for future improvements. The RAMCP Framework is characterized by five categories: Control Environment, Risk Assessment, Control Activities, Information and Communication, and monitoring. These elements span Operations, Financial Reporting, and Compliance.



The previous Control Framework describes the five categories in key management control areas.

(Continued)

6.2.5. Control Environment.

The control environment is the foundation for the objective RAMCP. Its complexion reflects the ***tone at the top***. The key to successful implementation of any change to the MCP will begin at the top of each organization—starting with HQDA.

In the objective RAMCP, leadership takes an active role and promotes controls. Policies are in place that keep commanders and managers in charge of their missions. Instilled in each is a philosophy of effective controls focused on mitigating mission risks, starting with embedded risk assessments for every critical activity. The various inspection programs—command and organizational, for example—emphasize risk assessments as a foundation for mission accomplishment. Further, leaders benefit in their daily activities from an enhanced ability to see, understand, and react to risks. This enhancement to command and control yields higher assurance that their decisions and actions will lead to mission accomplishment.

In the objective RAMCP, the Army rewards good stewardship and the development of controls that lead to that state. Rewards are based less on the administrative and more on the substance.

In the objective RAMCP, MCAs become MCMs (Management Control Managers), trained and resourced to manage, administer, inspect, and advise. MCMs have staff supervision authority[13] over subordinate MCMs furthering commander's intent for mission accomplishment. They are placed within the organization to achieve an enterprise-wide perspective on risk and the controls that mitigate risk. This could very well mean an MCM works directly for the commander, the chief of staff, or the staff functional most responsible for the unit's mission, e.g. the G-3.

An equally viable alternative is today's model, which places management controls within the purview of the Resource Manager or Internal Review.

Internal Review is an excellent source of advice to the leader about risk and risk management. Indeed, with almost 900 IR spaces throughout the Army, the expectation is that Internal Review will play a major role in risk assessment.

Functional leaders are also trained and comfortable with the concepts and principles of risk and risk management. They are fully engaged in mitigating risk within their respective functional domains. Each regulation for which the functional is proponent incorporates RAMCP principles. Routine field visits include inspections of RAMCP matters of interest.

Personnel policies reflect the RAMCP philosophy as well. Defined job competencies (Knowledge, Skills, Abilities) are linked to hiring criteria, which are linked to performance measures. Employees formally acknowledge control ownership in Human Resource forms and Performance Management processes. Reward-based performance is linked to the quality of risk management, controls and their implementation. Performance Metrics measure actual performance (behavior) and are outcome based. The RAMCP avoids measuring administration.

[13] See FM 101-5, pg 4-5, "Monitoring Execution of Decisions"

6.2.6. Risk Assessment.

In the RAMCP environment, risk assessment is integral to management controls and to daily activities. Risk assessment is an important component of risk management, which is applicable to any mission whether financial, operational or compliance related. Commanders and managers understand the principles of risk management and continuously apply them at all echelons. Each leader has identified key risks to his or her mission; has put in place key controls to mitigate or eliminate the risk; and makes resource decisions consistent with risk assessments.

6.2.7. Control Activities.

Control activities will reflect the tone of the control environment. The RAMCP is synchronized with operations, financial reporting, and compliance risks in a manner that furthers mission accomplishment and avoids bureaucratic hindrances.

RAMCP is embedded in daily activities and is not an added burden to leaders and operators. On the contrary, it is a philosophy and a thought process that provides confidence to daily decisions. As junior leaders grow to be senior leaders in this environment, risk assessment and appropriate management controls become second nature—not an administrative burden or annual paper drill.

Senior leaders have available to them and to their staffs the office of Internal Review as an important source for objective risk identification and management control expertise.

RAMCP training curricula become and remain current and relevant to support the leader and his mission. This means management control principles are also embedded in institutional, unit and individual training.

6.2.8. Information and Communications.

In the objective RAMCP, information is robust, timely and relevant. Its principle purpose is to enable management to make better-informed decisions about risks and resources. This same decision making information provides compelling rationale about Army resources to OSD, Congress, and the Administration. Finally, the Secretary of the Army, and all the leaders who contribute to the Army Annual Statement of Assurance, have a higher level of confidence that they are “reasonably assured” of good stewardship.

6.2.9. Monitoring.

The objective RAMCP benefits from systems and procedures in place that continuously assess the state of operations and management controls. Monitoring systems produce timely and accurate information for appropriate corrective actions. Eventually, systems are able to dynamically model and predict areas of greatest risk and redirect leader attention and resources accordingly. Absent each functional leader being responsible for monitoring his or her own processes, Internal Review is a readily available asset the commander has for monitoring RAMCP.

The Objective RAMCP (To Be) Summary. The objective RAMCP draws the very best from the current MCP, including a “best in class” administrative process. It emphasizes risk assessment, making risk assessment the foundation for the new process. RAMCP also expands on “best in class” with a robust treatment of the substance of controls and helps leaders achieve a greater certainty that their mission efforts, their fiduciary responsibilities, and their duty to comply with laws. In the end, RAMCP improves the organization’s chances for mission success.

6.3 Road Map and Options (Execution/Concept of Operation)

6.3.1 Introduction

To achieve the Objective RAMCP, a number of steps or road map elements will be required to arrive at the desired "To Be" end state. The following tables outline the road map elements, and their importance to achieving the Objective RAMCP. These elements have been grouped by each of the control framework components for presentation purposes and to assist in understanding the nature of the enhancements contemplated.

6.3.2 Discriminators

It is important to note that there are several defining aspects to each element. First, the elements listed were assigned an importance rating indicating whether it was either essential to the process or an important enabler. There are no superfluous, or "nice to have" roadmap elements presented. However, it is important to note that as this process progresses other essential elements may arise.

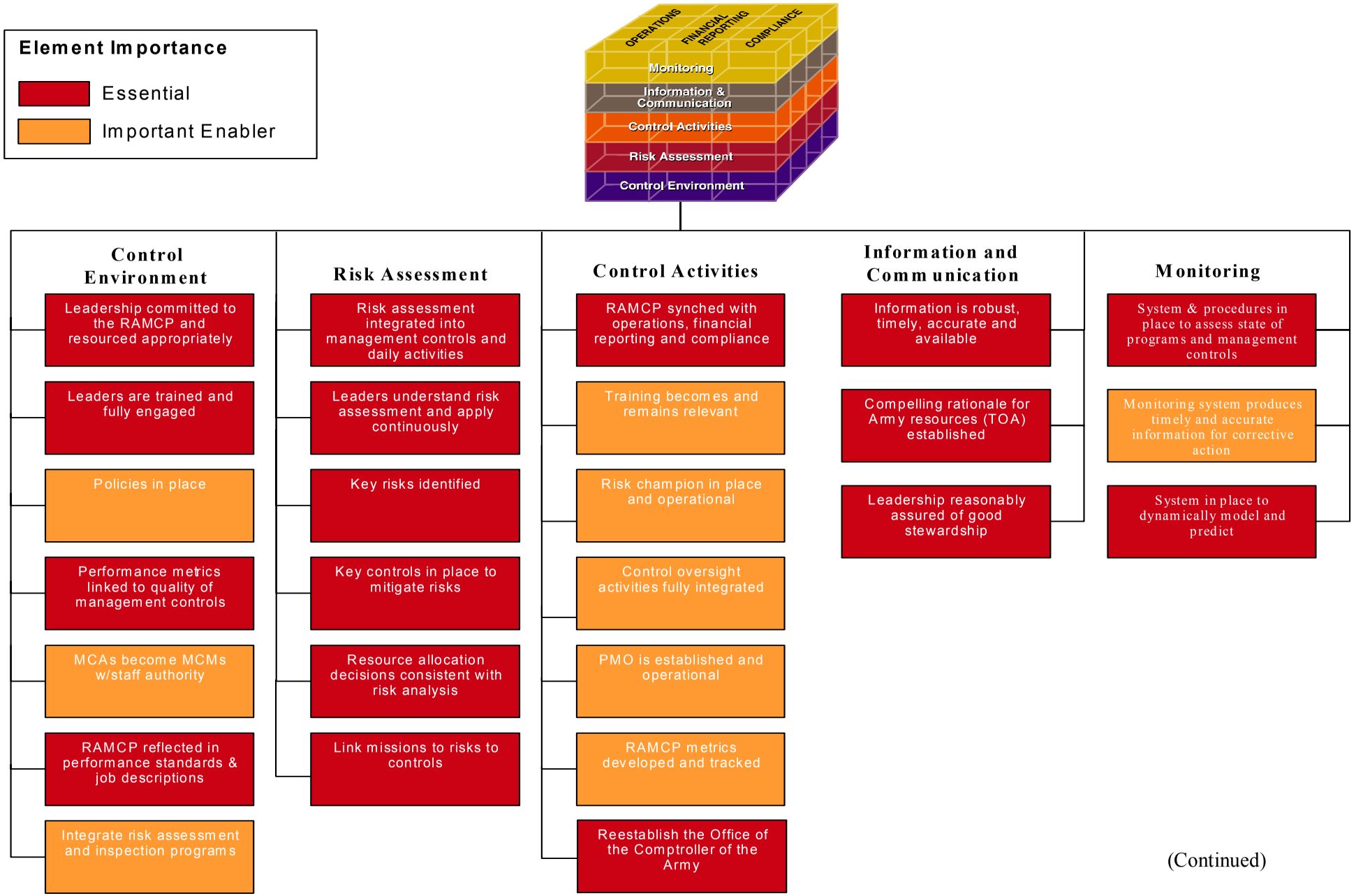
In addition there were at least two implementation options assigned each of the roadmap elements. These options were assigned relative ratings that range from a high to low level of effort.

Evaluation Criteria Considerations – As the Army evaluates the options for implementing each road map element, the criteria it uses will be critical to achieving the benefits of RAMCP. The following criteria should influence the implementation choices the Army makes.

- Implementation Effectiveness: Will the option result in the most effective implementation of changes to achieve desired RAMCP?
- Time to Implement: Can the option be implemented within an acceptable timeframe?
- Resource Requirement: Will the option require a significant and/or sustained commitment of resource (people, money, and materials) to be successful?
- Return on Investment: Will the investment result in tangible benefits, has a baseline for current performance been established, and are there metrics to measure future activities?
- Sequencing: At what time should independent and interdependent road map options be implemented? Will the options chosen affect the sequence of implementation?

It is critical that these criteria be considered as the Army weighs its implementation options.

6.3.3 Road Map Elements and Options



(Continued)

Control Environment

Roadmap Element: Leadership committed to RAMCP and resourced appropriately.	**Options/Level of Effort:**
Importance Rating: *Essential* **Immediate Opportunity** **Definition:** *In the objective RAMCP leadership is committed and provides appropriate resources.*	**High:** • Develop strategic communications plan including: – SA/CSA approved signed policy directive – Leverage multiple communication vehicles – Professionally create road show detailing fully funded RAMCP plan
	Middle: • Obtain approval from SA/CSA and present directive at Army Commanders' Conference
	Low: • Present for approval to SA/CSA and have the SA/CSA issue policy memorandum to MACOMs

(Continued)

Roadmap Element: Leaders are trained and fully engaged.	**Options/Level of Effort:**
Importance Rating: *Essential* **Definition:** *Leaders are trained and fully engaged in the RAMCP. (i.e., strategic leader conferences)*	**High:** • Each component of the Army training system enhanced to instill the RAMCP philosophy and policies: – Institutional – Each leadership school's RAMCP curriculum reviewed, revised, and resourced – Unit/Activity has courseware, on-line and via other media, available – Individuals receive web-based courses designed to reinforce and refresh other RAMCP training
	Middle: • Make courseware, on-line and via other media, available to units and individuals and continue training at current levels
	Low: • Continue training at current levels with emphasis on new concept and philosophy

Roadmap Element: Policies in place.	**Options/Level of Effort:**
Importance Rating: *Important Enabler* **Immediate Opportunity** **Definition:** *New policies established and in place to incorporate RAMCP philosophy and objectives.*	**High:** • Conduct complete review of policies. Coordinate changes across all applicable regulations, doctrine… Including AR 11-2, AR 11-7, AR 5-1, FM 100-14… • Publish new regulations to document changes, authorities, and requirements
	Middle: • Conduct selected review of policies and update AR 11-2 and AR 11-7
	Low: • Update AR 11-2

(Continued)

Roadmap Element: Performance metrics linked to quality of management controls.	**Options/Level of Effort:**
Importance Rating: *Essential* **Definition:** *Self-Explanatory*	**High:** • Individual performance management changes include: – Mandatory entry on evaluation support forms at all levels – Automated system in place to ensure consistency and visibility – Incentives established to promote process effectiveness
	Middle: • Mandatory entry on evaluation support forms at all levels • Establish incentives to promote process effectiveness
	Low: • Enhance current reward system with the implementation of risk assessment and risk management controls

(Continued)

Roadmap Element: MCAs become MCMs w/staff authority	**Options/Level of Effort:**
Importance Rating: *Important Enabler* **Immediate Opportunity** **Definition:** *MCAs become Management Control Managers w/staff authority in accordance with FM101-5*	**High:** • Institute changes to: – KSAs (Knowledge, Skills, and Abilities) – Authorization documents (including TDAs) – Job Series (including additional identifiers) – MCM Training requirements
	Middle: None
	Low: None

Roadmap Element: RAMCP reflected in performance standards & job descriptions	**Options/Level of Effort:**
Importance Rating: *Essential* **Definition:** *Self-Explanatory*	**High:** • Make performance standards a mandatory entry in evaluation support forms at all levels • Establish incentives to promote process effectiveness
	Middle: • Make performance standards a mandatory entry in evaluation support forms at all levels
	Low: • Issue G1 policy memorandum

(Continued)

Roadmap Element: Integrate risk assessment and inspection programs	**Options/Level of Effort:**
Importance Rating: *Important Enabler* **Definition:** *Integrate risk assessment and inspection programs (e.g. OIP and CIP)*	**High:** • Develop necessary changes to inspection programs to incorporate risk assessment. • Make changes to inspection program documents (ARs, PAMs…)
	Middle: • Complete analysis of all work necessary to incorporate risk assessment in inspection programs.
	Low: • Incorporate RAMCP into the Organization Inspection Program (OIP) and Command Inspection Program (CIP)

(Continued)

Risk Assessment

Roadmap Element: Risk assessment integrated into management controls and daily activities	**Options/Level of Effort:**
Importance Rating: *Essential* **Definition:** *Self-Explanatory*	**High:** • Enterprise Risk Assessment (ERA) conducted at all levels. • Activities – Identify and assess risk at each level – Determine existence and adequacy of controls – Conduct cost/benefit evaluation – Prioritize risks and mitigating controls
	Middle: • Enterprise Risk Assessment (ERA) conducted at HQDA and MACOM level. • Activities – Identify and assess risk at each level – Determine existence and adequacy of controls – Conduct cost/benefit evaluation • Prioritize risks and mitigating controls
	Low: • Modify AR 11-2. • Issue leadership emphasis memorandum • Distribute RA materials

(Continued)

Roadmap Element: Leaders understand risk assessment and apply continuously	**Options/Level of Effort:**
Importance Rating: *Essential* **Definition:** *Self-Explanatory*	**High:** • Incorporate RAMCP training at the institutional, unit, and individual level. • Institute incentives that recognize individuals and units at the highest levels (SecArmy and CSA)
	Middle: • Incorporate RAMCP training at the unit, and individual level.
	Low: • Modify existing training to include risk assessment

Roadmap Element: Key risks identified	**Options/Level of Effort:**
Importance Rating: *Essential* **Definition:** *Self-Explanatory*	**High:** • Enterprise Risk Assessment (ERA) conducted at all levels. • Activities – Identify and assess risk at each level – Determine existence and adequacy of controls – Conduct cost/benefit evaluation – Prioritize risks and mitigating controls
	Middle: • Enterprise Risk Assessment (ERA) conducted at HQDA and MACOM level. • Activities – Identify and assess risk at each level – Determine existence and adequacy of controls – Conduct cost/benefit evaluation – Prioritize risks and mitigating controls
	Low: • Identify as specific agenda item at annual commanders conference

(Continued)

Roadmap Element: Key controls in place to mitigate Key Risks	**Options/Level of Effort:**
Importance Rating: *Essential* **Definition:** *Self-Explanatory*	**High:** • Policies and procedures are in place to ensure responsible agency (proponent) responds positively to ERA results. • Conduct Independent Verification & Validation (IV&V) on new controls—those identified as needed from the ERA. • Ensure new checklists are captured in RAMCP control inventory. • Ensure oversight activities (IG, IR, AAA…) inspect for Key Controls to ensure things take place: – That new controls identified as necessary from ERA are in place, and – That activities are applying them.
	Middle: • Policies and procedures are in place to ensure responsible agency (proponent) responds positively to ERA results. • Ensure new checklists are captured in RAMCP control inventory. • Ensure oversight activities (IG, IR, AAA…) inspect for Key Controls to ensure things take place: – That new controls identified as necessary from ERA are in place, and – That activities are applying them.
	Low: • Emphasize in AR 11-2

(Continued)

Roadmap Element: Resource allocation decisions consistent with risk analysis	**Options/Level of Effort:**
Importance Rating: *Essential* **Definition:** *Self-Explanatory*	**High:** • Develop and institute computer-aided decision support system to assure consistency. • Include a statement of principle in the annual budget guidance. • Develop detailed risk assessment guidance.
	Middle: • Include a statement of principle in the annual budget guidance. • Develop detailed risk assessment guidance.
	Low: • Include a statement of principle in the annual budget guidance.

Roadmap Element: Link missions to risks to controls	**Options/Level of Effort:**
Importance Rating: *Essential* **Definition:** *Controls are designed to manage the risks to mission accomplishment*	**High:** • Incorporate the Mission-Risk-Control thought process into the initial execution of the ERA.
	Middle: • Incorporate the Mission-Risk-Control thought process into the training program.
	Low: • Issue a policy statement

(Continued)

Control Activities

Roadmap Element: RAMCP synched with operations, financial reporting and compliance	**Options/Level of Effort:**
Importance Rating: *Essential* **Definition:** *Self-Explanatory*	**High:** • Examine each key control to ensure operations, financial reporting and compliance (O-F-C) are addressed, and, if not, ensure adequately resourced to fix. • Incorporate O-F-C framework into training program.
	Middle: • Incorporate O-F-C framework into training program.
	Low: • Emphasize through modifications to AR 11-2

Roadmap Element: Training becomes and remains relevant	**Options/Level of Effort:**
Importance Rating: *Important Enabler* **Definition:** *Self-Explanatory*	**High:** • Enhance each component of the Army training system to instill the RAMCP philosophy and policies: – Institutional – Each leadership school's RAMCP curriculum reviewed, revised, and resourced – Unit/Activity has courseware, on-line and via other media, available to it. – Individuals receive web-based courses designed to reinforce and refresh other RAMCP training
	Middle: • Enhance Army training system to instill the RAMCP philosophy and policies: – Unit/Activity has courseware, on-line and via other media, available to it. – Individuals receive web-based courses designed to reinforce and refresh other RAMCP training
	Low: • Update/revise training. • Deploy training in-house and incorporate into school curricula.

(Continued)

Roadmap Element: Risk champion in place and operational	**Options/Level of Effort:**
Importance Rating: *Important Enabler* **Immediate Opportunity** **Definition:** *RAMCP champion in place and operational*	**High:** • Chief Risk Officer (CRO) established and resourced at each level.
	Middle: • Existing MCP proponent becomes risk champion
	Low: • SA assigns responsibility to PDASA (FM&C)

Roadmap Element: Control oversight activities fully integrated	**Options/Level of Effort:**
Importance Rating: *Important Enabler* **Definition:** *Control oversight includes: IR, AAA, IG, MCMs…*	**High:** • Establish organization (e.g. office of the CRO) to perform integrating function. • Establish cross-training program for IR, AAA, IG, MCMs.
	Middle: • Establish RAMCP advisory group
	Low: • Revise all applicable ARs (IR, IG, AAA, CID, inspection programs)

(Continued)

Roadmap Element: PMO is established and operational	**Options/Level of Effort:**
Importance Rating: *Important Enabler* **Immediate Opportunity** **Definition:** *RAMCP Program Management Office is established and operational*	**High:** • Establish office with temporary cadre that is structured to plan, design, develop and manage "entire Army" RAMCP. This office performs all traditional PM functions—cradle to grave.
	Middle: • Establish office with temporary cadre that is structured to plan, design, develop and manage "entire Army" RAMCP. This office performs all traditional PM functions only to stand up the program.
	Low: • Function absorbed into OASA (FM&C)

Roadmap Element: RAMCP metrics developed and tracked	**Options/Level of Effort:**
Importance Rating: *Important Enabler* **Definition:** *RAMCP metrics address overall condition of management controls and RAMCP processes.*	**High:** • Conduct benchmark study • Develop project metrics for ramp-up to RAMCP • Develop program metrics for sustainment of RAMCP
	Middle: • Develop (CE[14] in conjunction with PMO) RAMCP metrics • Modify CE charter to monitor RAMCP metrics • Develop project metrics for ramp-up to RAMCP • Develop program metrics for sustainment to RAMCP
	Low: • Develop (CE in conjunction with PMO) RAMCP metrics • Modify CE charter to monitor RAMCP metrics

[14] Cost Evaluation – formerly known as CEAC

(Continued)

Roadmap Element: Reestablish the position of Comptroller of the Army	**Options/Level of Effort:**
Importance Rating: *Essential* **Immediate Opportunity** **Definition:** *Self-Explanatory*	**High:** • Assign title to PDASA (FM&CC)
	Middle: • None
	Low: • No change

(Continued)

Information & Communication

Roadmap Element: Information is robust, timely, accurate and available	**Options/Level of Effort:**
Importance Rating: *Essential* **Definition:** *Information and communications are robust, timely, accurate and available*	**High:** • Assess current systems' capabilities • Acquire Enterprise Resource Planning (ERP) system including modules for: – Procurement – Financial – Logistics – Maintenance – Transportation
	Middle: • Develop or acquire enhanced decision support system capability using current data stores
	Low: • Expand CE charter to collect data from existing sources to support RAMCP

Roadmap Element: Compelling rationale for Army resources (TOA) established	**Options/Level of Effort:**
Importance Rating: *Essential* **Definition:** *Self-Explanatory*	**High:** • Acquire ERP simulation and modeling capability to support rationale • Establish Mission-Risk-Control-Resource model with decision support system
	Middle: • Establish Mission-Risk-Control-Resource model with decision support system
	Low: • Incorporate CE/RAMCP information into PPBES resource decisions

(Continued)

Roadmap Element: Leadership reasonably assured of good stewardship	**Options/Level of Effort:**
Importance Rating: *Essential* **Definition:** *Self-Explanatory*	**High:** • Establish a control assessment tool • See ERP (would subsume control assessment tool functionality)
	Middle: • Establish a control assessment tool
	Low: • Continue current process with expanded RAMCP

(Continued)

Monitoring

Roadmap Element: System & procedures in place to assess state of programs and mgt controls	**Options/Level of Effort:**
Importance Rating: *Essential* **Definition:** *Self-Explanatory*	**High:** • See ERP or implement another control assessment tool • Develop procedures to assist in assessment of program and management controls • SA directs the establishment of Quarterly Execution Program Review (QEPR) through staff support of Director of Management, OCSA
	Middle: • Develop procedures to assist in assessment of program and management controls • Establish QEPR by SA directive through staff support of Director of Management, OCSA
	Low: • Leverage current CE efforts to access systems to track operations and evaluate the adequacy of management controls • Establish QEPR by SA directive through staff support of Director of Management, OCSA

(Continued)

Roadmap Element: Monitoring system produces timely and accurate information for corrective action	**Options/Level of Effort:**
Importance Rating: *Important Enabler* **Definition:** *Self-Explanatory*	**High:** • Develop systems and processes to correctly ID material weaknesses and to develop alternative solutions
	Middle: • Develop processes to correctly ID material weaknesses and to develop alternative solutions
	Low: • Expand current CE efforts

Roadmap Element: System in place to dynamically model and predict	**Options/Level of Effort:**
Importance Rating: *Essential* **Definition:** *Self-Explanatory*	**High:** • See ERP • Develop or acquire Commercial off the Shelf (COTS) stand-alone capability
	Middle: • Acquire (COTS) stand-alone capability
	Low: • Charter CE to create predictive RAMCP modeling capability

(Continued)

6.4 Implementation Considerations

The implementation of the "To Be" MCP has the potential to dramatically change the MCP as we know it today but will require substantial change. A modest change could require little or no personnel, cost, or time. However, it may not move the process closer to achieving the spirit of FMFIA, (or even maintain the status quo, given current staffing deficits), or provide added confidence to leadership as they sign the Army's Annual Statement of Assurance. If the Army moves to enhance the MCP and embed risk management into the process, the effort required to achieve desired results, and the resources to do so may or will increase accordingly.

As the Army considers its options for enhancing the current MCP, leadership will have to make a number of decisions. The first decision follows the Army's own risk management philosophy: What level of risk is acceptable if no enhancements are made to the Army's MCP?

The resources applied to this effort should be commensurate with acceptable risk. This assessment describes changes necessary to move from the current "As Is" MCP to the "To Be" control framework. These changes could range from doing little to conducting a comprehensive Enterprise Resource Planning (ERP) effort in which the reengineering of the entire organization might required. As the Army considers its options, an extreme solution suggests required resources (personnel, time and dollars) would increase dramatically. The Army must choose a desired level of assurance and resource against the option providing the best return on investment. Ultimately, the decision will be based on a balance between outcomes and cost.

Simply stated, Army leadership must determine the level of risk they are willing to accept and weigh the transformation costs from the "As Is," or current MCP, to an ideal "To Be" RAMCP. Methodologies for engineering organizational change, including change management, must be incorporated into the program management plan.

The Army leadership must be engaged and set the tone from the onset. It is paramount that the Army's Senior Leaders spearhead any change prescribed to achieve the desired enhancements to the MCP. The Army must also provide the necessary resources to fully reap the benefits of an enhanced MCP. Finally a robust MCP assists the CSA in addressing his immediate focus areas. Specifically, General Schoomaker has stated that the Army must redesign resource processes to be flexible, responsive, and timely, and that authorities, responsibilities, and accountability must be clarified. The new and enhanced MCP clearly has the potential to assist the CSA in reaching his stated redesign goals.

7.0 Conclusions and Recommendations

7.1 Conclusions

The current Army MCP is grounded in statute, Federal policy, and higher headquarters guidance. The process is promulgated throughout the Army in regulatory guidance, which clearly defines requirements and responsibilities at all levels of command and all Army activities. The process addresses all Army functions across operations, financial reporting, and compliance spectrums. In short, the current process provides a solid foundation for taking the next step toward a more robust program of management controls in Army business programs and operations.

The new, robust Army Risk Assessment Management Control Process (RAMCP) should include risk assessment and performance metrics specifically tailored to measure process effectiveness, a mechanism for sharing lessons learned that is visible to all levels of commanders, managers, and practitioners; and an expanded program of institutional and in-house training. To ensure an integrated effort at controlling Army business programs and operations, the new RAMCP should be linked to other Army oversight and control-related activities such as local Internal Review and Inspector General offices; the US Army Audit Agency, Department of the Army Inspector General, and the US Army Criminal Investigation Command.

In addition, DA-level command oversight should include a senior leadership forum for the periodic review and assessment of key performance metrics. The output of this senior forum should also be made available via whatever mechanism is provided for sharing lessons learned and be visible to all levels.

7.2 Recommendations

Based on this review of the Army Management Control Process, we conclude the current process meets the basic requirements of statutes and regulatory guidance and should not be dismantled. However, it should be enhanced and improved to provide a more robust methodology to support the Army's business programs and operations, and substantially mitigate the potential to jeopardize Army missions.

To achieve the objective Risk Assessment Management Control Process (RAMCP), we recommend changes in three focus areas:

- Leadership commitment,
- Risk assessment/analysis and
- Performance metrics.

We must strengthen leader commitment by enhancing training on RAMCP in all training venues. The Army must impress upon leaders, at the lowest command level and earliest entry into civilian management, that management controls are necessary and should never be left to chance. This training must then be reinforced at each successive level of leadership through senior leadership forums (i.e. Strategic Leader Conferences), institutional courses, courseware available via the internet, the leader page on Army Knowledge on Line (AKO), and other venues as may exist or be developed.

Integrate risk assessment and risk analysis into the management control process and day-to-day activities. Build upon the natural tendency of leaders to perform a risk assessment and analysis of the actions required to achieve mission accomplishment and introduce that process into the management control activities required by law and regulation.

Develop and implement a system of performance metrics for the RAMCP that can be integrated into a periodic senior level review and analysis forum. This is a necessary step to the sustainment of the RAMCP. This activity will provide program visibility to the highest levels and, when incorporated into an informational process such as AKO, will also be available to Army personnel.

Specifically, the recommended road map options (sorted by importance rating) are as follows:

Road Map Element (Essential)	**Leadership's Desired Option?**
Leadership committed to RAMCP and resourced appropriately.	
Leaders are trained and fully engaged	
Performance metrics linked to quality of management controls	
RAMCP reflected in performance standards and job descriptions	
Risk assessment integrated into management controls and daily activities	
Leaders understand risk assessment and apply continuously	
Key risks identified	
Key controls in place to mitigate risks	
Resource allocation decisions consistent with risk analysis	
Link mission to risks to controls	
RAMCP synched with operations, financial reporting and compliance	
Reestablish the office of the Comptroller of the Army	
Information is robust, timely, accurate and available	
Compelling rationale for Army resources (TOA) established	
Leadership reasonably assured of good stewardship	
System and procedures in place to assess state of programs and management controls	
System in place to dynamically model and predict	

Road Map Element (Important Enabler)	Leadership's Desired Option?
Policies in place	
Management Control Administrators become Management Control Managers with staff authority	
Integrate risk assessment and inspection programs	
Training becomes and remains relevant	
Risk champion in place and operational	
Control oversight activities fully integrated	
PMO is established and operational	
RAMCP metrics developed and tracked	
Monitoring system produces timely and accurate information for corrective action	

As the Army considers the recommendations it is important to note that some elements are independent, while others are interdependent. The sequencing of implementing these elements is an important consideration in this process. If the sole focus is on short-term activities, the ultimate benefit may be compromised.

As the road map is assembled, a sequence must be developed for implementation, much like a military campaign, this effort has distinctive stages.

Stage	Description	Timeline
Start-up	• Road Map elements selected, sequenced, and assigned.	30 days
Assessment	• Information collection for pilot and implementation planning. • Early Road Map elements implemented.	6 months
Pilot	• Testing RAMCP Framework. • Implementing Road Map Elements. • Evaluate results.	18 months
Implementation	• Army-wide rollout of process changes.	3 years
Sustainment	• Resourcing for future. • Development of continuous feedback and monitoring.	5 years

These recommendations support the Army's desire to enhance the current MCP by providing a vision for the future and a road map to achieve that vision. They provide a thorough approach to transform a very strong administrative process to an integrated and integral control framework.

Appendix

COMMENTS ON THE DRAFT REPORT

On December 5, a draft copy of this report was emailed to a group of 37 selected individuals, to include MACOM Resource Managers and Internal Review Chiefs, HQDA and MACOM Management Control Administrators, and members of the Senior Level Steering Group. Comments were requested not later than close of business on December 12. Comments were received from 12 of these 37 individuals.

The comments received have been grouped into five categories:

- Comments that reflected a misunderstanding of the draft report.
- Comments that were moot when received due to a revised draft that resolved the issue.
- Comments that were reviewed and addressed by revising the report.
- Comments that were premature in that they raised issues / concerns about Roadmap Elements that have not yet been fully defined or selected, to include:
    - The cost of implementing Roadmap Elements.
    - The lack of detailed procedures for implementing Roadmap Elements
    - The lack of a demonstrated Return on Investment for Roadmap Elements
- Other comments that the ASA (FM&C) leadership should be aware of, to include:
    - Disagreement with aspects of the draft report.
    - Concern about the vague nature of Roadmap Elements.
    - Alternative approaches / recommendations that were not included.

The first three categories – misunderstanding, moot or accepted – are not summarized here. The other two categories – premature and other – are summarized in the following two sections. Each of these two sections indicate the general topic, the nature of the comment, and the source.

COMMENTS DEEMED TO BE PREMATURE:	
TOPIC	**COMMENT**
Roadmap Elements	Concerned about the resources required (e.g., Chief Risk Officer, Program Mgt Office, Enterprise Risk Planning system, COTS, Control Self Assessment)
	Proposal appears resource intensive
	High-end options of proposal are not affordable
	The mechanisms (procedures) for implementation are not clear
	Questionable whether Army can afford this proposal
	Proposal must be coordinated with activities below MACOM level
	Proposal will be extremely costly
	Unclear how Roadmap Elements will be implemented or ROI determined
MCA becomes MCM	Require higher grade levels, fewer collateral duties (< 80%) & 343 series for a command's lead MCM, w/ matrix mgt relationship with functional counterparts
Risk Assessment	How risk management will be implemented is not defined
Role of IR	The future role of IR in the MCP needs to be defined
Performance Metrics	The metrics to measure MCP / stewardship not defined
	Recommend a metric on % of ARs that are current (I.e., within last few years)
Revising Army Regs	The proposal would be cost prohibitive

In addition to the comments shown previously, the RM for AMC requested that her non-concurrence be reported.

COMMENTS THAT ASA (FM&C) LEADERSHIP SHOULD BE AWARE OF:	
TOPIC	**COMMENT**
General	Disagree on need for major changes to current MCP
	Concern: Roadmap Elements not defined
	Recommend modifying current MCP (better training & marketing) rather than proposed approach
	Disagree with changes to current MCP
	Army hasn't invested resources in current MCP; should implement MCP refinements & not adopt proposed RAMCP before testing
	Summary of MACOM comments did not reflect anything positive
	Current MCP has not been adequately resourced
	Current MCP has not been adequately resourced
	Roadmap Elements are vague
	AAA reports had numerous positive comments about the current MCP, but the summary of AAA comments in the report says nothing positive
	Don't necessarily agree w/ comments & conclusions on current MCP, which is an "awareness" program designed to institutionalize a thought process
	Could not assess / respond to a third of the Roadmap Elements due to a lack of definition / discussion in the draft report
	Non-concur. Roadmap creates a new bureaucratic layer. Report makes few concrete recommendations, fails to make compelling case for reengineering MCP
Policy / Guidance	Recommend HQDA issue annual instructions for day-to-day MCP execution

COMMENTS THAT ASA (FM&C) LEADERSHIP SHOULD BE AWARE OF:	
TOPIC	**COMMENT**
Recognition	Recommend an annual MCP award of excellence w/ Pentagon ceremony
	Recommend HQDA functional proponents be required to identify risk areas
	HQDA functional experts should identify their most significant risks
	Should include other efforts (e.g., Installation Status Report, Service Based Costing & Balanced Scorecard) as tools for identifying risk
	Need HQDA functional proponents to do risk assessments of their programs
	HQDA functional proponents are not keeping pace w/ development of checklists for high risk areas
Tools & Technology	Disagree on need for improved automation of annual statement
IR vs MCP	Recommend IR own MCP & MCP be full-time person
	Disagree that complete makeover needed
Leadership Support	Recommend MCP as a topic for senior leader forums
Training	Disagree that more training is needed
	Recommend explicit MCP training requirements in AR 11-2
Report Methodology	Concern: This MCP assessment was based entirely on interviews