



DEFENSE INFORMATION SYSTEMS AGENCY

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DISA INSTRUCTION 630-125-6*

PROGRAMS

Managers' Internal Control Program (MICP)

1. **Purpose.** This Instruction prescribes policy and assigns responsibility for the Managers' Internal Control Program (MICP) for DISA. It advises of the Senior Assessment Team (SAT) and governance documents outlining procedures for the MICP.
2. **Applicability.** This Instruction applies to all DISA organizations.
3. **Authority.** This Instruction is published in accordance with the authority contained in DoD Instruction 5010.40, Managers' Internal Control Program (MICP) Procedures, 29 July 2010, and DoD Directive 5105.19, Defense Information Systems Agency (DISA), 25 July 2006.
4. **Definitions.** Definitions are provided in the enclosure.
5. **Objective.** The objective of the MICP is to establish, evaluate, and correct weaknesses in policies and procedures, provide reasonable assurance that operations are effective and efficient financial reporting is reliable and timely, and ensure the Agency is in compliance with applicable laws and regulations.
6. **Policy.**
 - 6.1 The focus of the Agency MICP process shall be on continuous monitoring of internal controls (ICs)--not on periodic reviews and occasional control exercises. ICs shall be integrated into the daily management practices of all DISA managers.
 - 6.2 The MICP shall be executed to provide reasonable assurance for effectiveness and efficiency of operation, reliability of financial reporting, and compliance with applicable laws and regulations.
 - 6.3 The MICP process shall address all significant operations and mission responsibilities and shall not be limited to administrative and financial operations.
 - 6.4 The MICP evaluation process shall, wherever possible, rely on existing information sources; such as, management and oversight reviews, computer security reviews, audits, and inspections, etc. Whenever existing data does not provide for adequate review of vital internal controls, appropriate reviews should be conducted that will enable management to make reasonable judgments about the effectiveness of their internal controls.

6.5 Managers shall be encouraged to be forthright in reporting material weaknesses in vital internal controls and shall not be penalized (at any level of the organization) for reporting a problem as a material weakness.

7. Responsibilities.

7.1 **Chief Financial Executive/Comptroller (CFE).** The CFE, designated by the Director, DISA, as the Senior Responsible Official for the MICP, will:

7.1.1 Develop Agency guidance that will reasonably ensure Agency MICP objectives are met and establish a MICP to evaluate the design of ICs, assess the operating effectiveness of ICs, and identify and promptly correct ineffective ICs and establish ICs, when warranted.

7.1.2 Annually provide separate explicit levels of assurance in a Statement of Assurance (SOA) addressed to the Secretary of Defense for the three IC assessments of Internal Controls Over Nonfinancial Operations (ICONO), Internal Controls Over Financial Reporting (ICOFR), and Internal Controls Over Financial Systems (ICOFS), as applicable, based upon the MICP annual guidance for Director, DISA, signature.

7.1.3 Direct and oversee the MICP for the Agency, to include meeting the requirements of Appendix A, Internal Control over Financial Reporting, within Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control.

7.1.4 Issue annual guidance to the Principal Directors, Directors, Commanders, and Chiefs regarding submission requirements for compliance with DoDI 5010.40, Managers' Internal Control Program (MICP) Procedures (authority document).

7.1.5 Designate a Senior Assessment Team comprised of senior level executives to advise the Director, DISA, on IC matters and ensure the Agency's compliance with the intent and timelines of OMB Circular A-123 and Office of the Under Secretary of Defense Comptroller (OUSD(C)) guidance.

7.1.6 Designate an individual to serve as the Agency MICP Coordinator who shall act as the Agency focal point for all matters relating to MICP.

7.2 **Principal Directors, Directors, Commanders, and Chiefs of Major Organizational Elements.** These individuals will:

7.2.1 Develop MICP goals for the directorate that will reasonably ensure Agency MICP objectives are met.

7.2.2 Segment the organization into Assessable Units (AU) by organization or function, suitable for evaluating ICs. (The AU will include all personnel and functions of the organization. An organization with field activities is to ensure these activities are included in the inventory.)

7.2.3 Assign, in writing, the Assessable Unit Manager (AUM) responsible for each AU.

7.2.4 Ensure AUMs are responsible and accountable for establishing and evaluating ICs in a manner consistent with this Instruction.

7.2.5 Ensure internal control weaknesses are promptly reported and actions taken to correct each weakness.

7.2.6 Provide input to the CFE for the Agency's annual SOA, in accordance with Agency annual IC guidance.

7.3 Inspector General (IG). The IG will, within the context of its annual audit planning, consider projects that verify corrective actions taken on weaknesses identified by audits and inspections.

7.4 Chief Information Officer (CIO). The CIO will assess the level of assurance of the ICOFS to ensure compliance with the Federal Managers' Financial Integrity Act (FMFIA), in accordance with OMB Circular A-127, Chapter 3 of Volume 1 of the DoD Financial Management Regulation, and the OUSD(C) annual guidance.

7.5 Component Acquisition Executive (CAE). The CAE will assess the ICs over acquisition functions using the Acquisition, Technology, and Logistics (AT&L) template. (The template, provided in the DoD FMFIA Statement of Assurance Fiscal Year 2014 Guidance, along with the CAE organization letter of assurance, will be forwarded to the Agency MICP Coordinator, in accordance with established suspenses for the Annual Statement of Assurance submissions.

8. Duties.

8.1 Agency MICP Coordinator. The Agency MICP Coordinator will:

8.1.1 Assist the Senior Assessment Team (SAT) in the design and implementation of the MICP. (See paragraph 9 for information regarding the SAT.)

8.1.2 Rank and prioritize risks with senior management to ensure alignment with short- and long-term priorities of the Agency.

8.1.3 Serve as the liaison between the SAT and the AUM to communicate management's mission requirements to ensure the requirements are incorporated in the review of ICs and associated risks.

8.1.4 Evaluate the effectiveness of management controls and appointment of AUMs and provide technical advice and guidance to AU Administrators and AUMs.

8.1.5 Retain MICP documentation (e.g., process flows and narratives, including associated risk matrices, control objectives, and control activities; SOA from AUMs to support the DISA SOA; and listing of AUs and AUMs) at a central repository.

8.1.6 Provide training to AU Administrators and AUMs regarding MICP roles, responsibilities, and reporting requirements.

8.1.7 Perform studies and prepare recommendations for correcting systemic MICP weaknesses that cross organizational boundaries.

8.1.8 Monitor and verify corrective actions have been completed on material weaknesses.

8.1.9 Identify and issue annual SOA milestones to SAT.

8.1.10 Prepare the Agency annual SOA for the signature of the Director, DISA.

8.2 Assessable Unit Manager (AUM). An AUM will:

8.2.1 Maintain a list of the AUs and AUMs of the organizations.

8.2.2 Provide training and guidance to AUMs regarding program reporting requirements.

8.2.3 Conduct an IC assessment in accordance with the annual OUSD(C) and Agency IC guidance.

8.2.4 Document business processes and procedures.

8.2.5 Assess risks that may adversely affect the AUs mission, test effectiveness of controls, and identify IC deficiencies and weaknesses.

8.2.6 Provide an annual SOA to the Agency MICP Coordinator.

8.2.7 Upload supporting documentation, such as list of all AUs, process flow charts, risk assessments and analysis, test plans, test results, and corrective action plans, to the shared workspace for record retention and audit purposes.

8.2.8 Provide status on material weaknesses which address, at a minimum, the risks, test documentation, milestones, and accomplishments (due on the 15th of January, April, and July). (Agency Coordinator will work with AUMs to provide information.)

8.2.9 Evaluate, in conjunction with the Agency MICP Coordinator, the quality of the organization's implementation of this Instruction, including adequate documentation.

9. Senior Assessment Team (SAT). The SAT is comprised of the Agency Senior Executive Service (SES) members (or their designated representatives) assigned by the chairperson (the Vice Director, DISA) to provide oversight of assessing and documenting the effectiveness of ICs for ICOFR and ICOFS and provide oversight of ICs and risk management. The SAT convenes to advise the Director, DISA, on IC matters, to include the identification of IC weaknesses that merit reporting as material weaknesses. The SAT (1) assesses and monitors the MICP efforts,

(2) reviews and approves all processes and methodologies for IC implementation, (3) communicates the IC-related objectives throughout the Agency, (4) ensures IC assessments are carried out in a thorough, effective, and timely manner, (5) reviews and approves risk assessments, testing procedures, and test results, (6) validates which operational and financial processes and systems weaknesses are material for reporting purposes and report results and recommend SOA action to the Director, DISA, and (7) reviews and approves all IC corrective action plans and ensure prompt resolution.

10. Governance Documents Outlining Processes. The MICP will be conducted on three distinct categories using processes contained in governance documents referenced below as tailored to each category:

10.1 Internal Controls over Nonfinancial Operations (ICONO). ICONO includes all operational and administrative controls relevant to mission essential functions conducted within the organization (excluding financial reporting and financial systems). ICONO also includes ICs over acquisition functions and establishes and assesses the ICs used in the ICONO process, following the procedures detailed in OMB Circular A-123, Management's Responsibility for Internal Control, and Agency annual IC guidance.

10.2 Internal Controls over Financial Reporting (ICOFR). ICOFR includes all financial reporting functions, as defined in Appendix A of OMB Circular A-123 and the ICOFR annual guidance, provided by the OUSD(C) Chief Financial Officer (CFO). ICOFR establishes and assesses the ICs used in the FMFIA ICOFR process, following the procedures detailed in Appendix A of OMB Circular A-123 and the ICOFR annual guidance provided by OUSD(C).

10.3 Internal Controls Over Financial Systems (ICOFS). ICOFS includes all integrated financial management systems. ICOFS follows the procedures established in OMB Circular A-127, Chapter 3 of Volume 1 of the DoD Financial Management Regulation, and procedures detailed in OUSD(C) annual MICP guidance to assess, evaluate, and report the conformance of the Agency's integrated financial management systems compliance with federal requirements. Nonconformance with federal requirements constitutes a material weakness, which will be reported in the SOA with a corrective action plan and schedule for resolution.

Enclosure a/s

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Chief of Staff

SUMMARY OF SIGNIFICANT CHANGES. This revision provides current terminology for the Managers' Internal Control Program (MICP), clarifies MICP requirements, assigns responsibilities of Agency organizations involved with the MICP, and advises of the Senior Assessment Team (SAT).

*This Instruction cancels DISAI 630-125-6, 25 January 2003, and must be reissued, canceled, or certified current within 5 years of its publication. If not, it will expire 10 years from its publication date and will be removed from the DISA issuances postings.

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Enclosure:

DEFINITIONS

Assessable Unit (AU). An organizational or functional subdivision of DISA required to develop, implement, test, and report on internal controls (IC) in accordance with this Instruction.

Assessable Unit (AU) Administrator. The AU Administrator provides direction and guidance within their respective AU. Due to the inherently governmental nature of this function, the AU Administrator must be a government employee (civilian or military).

Assessable Unit Manager (AUM). The head or principal deputy assigned direct responsibility for ensuring the Manager's Internal Control Program (MICP) is in place and operating effectively within the assessable unit (AU).

Control Deficiency. Exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect errors or misstatements on a timely basis.

Agency MICP Coordinator. The organizational MICP Manager is the primary focal point of contact for the Agency Manager's Internal Control Program (MICP).

Internal Control (IC). The organizations, policies, and procedures that help program and financial managers achieve results and safeguard the integrity of their programs by reducing the risk of adverse activities.

Internal Control (IC) Assessment. A documented evaluation on the effectiveness and adequacy of the controls put in place to meet the mission objectives.

Internal Control over Nonfinancial Operations (ICONO). Pertains to the overall program, operational, and administrative controls relevant to all mission essential functions, except financial reporting and financial systems.

Internal Control over Financial Reporting (ICOFR). Relevant to financial reporting functions.

Internal Control over Financial Systems (ICOFS). Relevant to integrated financial management systems conformance with the Federal requirements.

Integrated Financial Management Systems (IFMS). A unified set of financial systems and the financial portions of mixed systems encompassing the software, hardware, personnel, process (manual and automated), procedures, controls, and data necessary to perform financial management functions, manage financial operations of the Agency, and report on the Agency's financial status to central agencies, Congress, and the public.

Material Weakness. A control deficiency that should be communicated to the next higher level because it represents significant weaknesses in the design or operation of internal controls that

could impact the organization's ability to meet Manager's Internal Control Program (MICP) objectives. The determination to categorize a weakness as material results from management's judgment about the relative impact of the weakness.

No Assurance Statement of Assurance. One of the three explicit levels of assurance that a Federal Managers' Financial Integrity Act (FMFIA) Internal Control over Nonfinancial Operations (ICONO), Internal Control over Financial Reporting (ICOFR), or Internal Control over Financial Systems (ICOFS) statement of assurance (SOA) must take. No assurance provides not reasonable assurance that ICs are effective because no assessments were conducted, the noted material weakness(es) are pervasive across many key operations, or the Integrated Financial Management Systems (IFMS) is substantially noncompliant with Federal requirements. The reporting entity shall provide an extensive rationale for this position.

Qualified Statement of Assurance. One of the three explicit levels of assurance that a Federal Managers' Financial Integrity Act (FMFIA) Internal Control over Nonfinancial Operations (ICONO), Internal Control over Financial Reporting (ICOFR), or Internal Control over Financial Systems (ICOFS) statement of assurance (SOA) must take. A qualified SOA provides reasonable assurance that internal controls (ICs) are effective with the exception of one or more material weakness(es) of the Integrated Financial Management Systems (IFMS) is not fully compliant with Federal requirements reported. The SOA must cite the material weaknesses in internal management controls that preclude an unqualified statement.

Reasonable Assurance. An informed judgment by management based on available information that the internal controls (ICs) in place are effective and operating as intended.

Risk. The possibility an event will occur and adversely affect the achievement of the Manager's Internal Control Program (MICP) objectives.

Statement of Assurance (SOA). An annual statement, in memorandum format, that provides the **Assessable Unit Managers** (AUMs) explicit level of assurance on whether internal controls (ICs) are effective. The SOA is based on self-assessments conducted for mission essential functions relative to risk and identifies any material weaknesses found during the assessments. The SOA is submitted from the AUM to the next higher level of command unless otherwise specified. The DISA annual SOA is submitted to the Secretary of Defense.

Unqualified Statement of Assurance. One of the three explicit levels of assurance that a Federal Managers' Financial Integrity Act (FMFIA) Internal Control over Nonfinancial Operations (ICONO), Internal Control over Financial Reporting (ICOFR), or Internal Control over Financial Systems (ICOFS) statement of assurance (SOA) must take. An unqualified SOA provides reasonable assurance that ICs are effective with no material weaknesses reported or that the Integrated Financial Management Systems (IFMS) is in conformance with Federal requirements. Each unqualified statement must provide a firm basis and evidence for that position in the SOA.

Weakness. A deficiency in the design or operation of internal controls (ICs) that could impact the organization's ability to achieve the objective of the control.