MARSHALL
MANAGEMENT
INSTRUCTION

MMI 1200.2B
Effective Date August 1,1994
Expiration Date August 1, 1998

Responsible Office: BC01/Center Comptroller

Subject: INTERNAL MANAGEMENT CONTROL SYSTEM AND REVIEW PROCESS

* 1. PURPOSE

To establish Marshall Space Flight Center (MSFC) procedures and responsibilities for evaluating the Center's internal management control system and to conduct an internal review function to provide the Center Director with a continuing objective appraisal of Center operations.

* 2. APPLICABILITY

This instruction applies to all internal management control areas and MSFC organizational elements regardless of geographical location.

3. AUTHORITIES AND REFERENCES (Only applicable parts of most recent edition apply.)

a. Federal Managers' Financial Integrity Act (FMFIA) of 1982

b. Office of Management and Budget (OMB) Circular No. A-123, "Internal Control Systems"

c. General Accounting Office (GAO) Standards for Internal Control in the Federal Government

d. OMB Guidelines for the Evaluation and Improvement of and Reporting on Internal Control Systems in the Federal Government.

e. NMI 1200.7, "NASA's Internal Management Control System"

* f. NMI 1240.3, "Functional Management"

* Changed by this revision

MSFC Form 2911 (Rev. October 1981)

* 4. POLICY

MSFC will establish a system of internal management controls that will provide reasonable assurance that Center resources are protected against fraud, waste, mismanagement, or misappropriation. The system will be cost effective in that the cost of implementing and maintaining the system will not exceed the anticipated benefits to be derived. If Center management rates an area as being highly vulnerable, internal control reviews will be performed by the Internal Control Office staff, with the active participation of personnel from the organization under review. This team will be augmented, as required, by ad hoc personnel from other Center organizations who have specialized knowledge of the area under review.

5. BACKGROUND (See Attachment A)

6. RESPONSIBILITIES

* a. Directors/Managers of MSFC basic organizations are responsible for:

(1) Ensuring that a system of internal management controls exists in their organizations that provides reasonable assurance that funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.

(2) Performing self-assessments of the 17 functional areas specified in NMI 1240.3B, Attachment A, at least once every 3 years; notifying the Internal Management Control Officer (IMCO), who is the Center Comptroller, of the self-assessment schedule; and working closely with the IMCO to identify, report, track, and resolve management weaknesses identified through the self-assessment process. [NOTE: Self-assessment results should be reported using the format specified in NMI 1240.3B, Attachment C.]

(3) Providing support for conducting internal control reviews of their programs or functions on an as-required basis.

* Changed by this revision.

(4) Notifying the Internal Control Office of functional review team entrance and exit conferences, and providing, for Center Comptroller concurrence, the proposed MSFC response to functional review team findings and recommendations.

* b. Center Comptroller as the IMCO is responsible for:

(1) Tracking the status of recommendations associated with functional self-assessments.

(2) Determining which, if any, programmatic and functional areas are to be the subject of internal control reviews.

(3) Reviewing and approving completed internal control review reports.

(4) Reviewing, prior to submission for Center Director approval, the annual statement of assurance to ensure that it reflects all known significant or material internal management control weaknesses.

* c. Chief of the Internal Control Office is responsible for:

(1) Supervising and directing the internal management review program. (This program includes reviewing MSFC's financial activities to determine the: effectiveness of procedures; adequacy and effectiveness of internal management controls; reliability and timeliness of data developed through the financial management process; and extent of compliance with approved policies, procedures, and sound accounting principles. In addition, this program includes performing internal management reviews of other areas to determine whether management controls provide adequate safeguards against unauthorized use, mismanagement, or misappropriation of funds, property, or other assets.)

(2) Tracking the status of self-assessments/functional reviews to ensure that they are performed at least once every 3 years in designated areas.

* Changed by this revision.

(3) Maintaining an up-to-date followup system to track the status of corrective actions associated with functional self-assessments.

(4) Reviewing the results of self-assessments, internal management reviews, audit reports, and functional reviews to determine whether any significant or material management control weaknesses exist. If significant/ material weaknesses exist, reporting these weaknesses to the IMCO for potential submission to NASA Headquarters by the Center Director.

(5) For areas designated as being highly vulnerable, performing internal control reviews in coordination with applicable offices and ad hoc team members. (These reviews will be based upon mutually agreed-upon internal control objectives and techniques, and entrance and exit conferences will be conducted with the appropriate MSFC Directors/Managers.)

(6) Reviewing external procedures, laws, and regulations concerning internal management controls, preparing and distributing required internal management control directives, and ensuring that all Center directives concerning internal management control matters are current.

(7) At the beginning of each fiscal year, coordinating the schedule of proposed internal control reviews with the schedule of audits to be performed by the MSFC Office of Inspector General (OIG), functional reviews to be performed by NASA Headquarters functional managers, and self-assessments being performed by MSFC managers.

(8) Coordinating entrance and exit conferences with GAO and OIG and participating in entrance and exit conferences for functional review teams. Advising Center Management of upcoming audits.

(9) Operating a formal followup system to ensure timely response to GAO and OIG audits, including conducting followup evaluations and preparing related reports regarding the status of corrective actions.

7. PROCEDURES (See Attachment B)

8. CANCELLATION

MMI 1200.2A dated April 16, 1991.

Orig s/by
G. P. Bridwell
Director

Attachments:
A. Background
B. Procedures

Distribution:
SDL 2

BACKGROUND

1. All Federal agencies are required by the FMFIA to establish internal accounting and administrative controls that comply with GAO standards and OMB guidelines. Controls should provide reasonable assurance that:

   a. Obligations and costs are in compliance with applicable law;

   b. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, mismanagement, and misappropriation; and

   c. Revenues and expenditures applicable to Agency operations are accounted for and properly recorded.

* 2. The FMFIA also requires Agency heads to submit annual statements to the President and Congress specifying whether their systems of internal accounting and administrative controls fully comply with the FMFIA requirements. If the controls do not comply, the Agency heads must identify any material internal management control weaknesses that exist and their plans for correcting them. The Agency heads' annual assurance statements will be based to a large extent on the annual certifications submitted by the various field installations.

3. OMB Circular No. A-123 prescribes the procedures to be followed in implementing the requirements of the FMFIA. OMB Guidelines provide guidance on the development of the required Agency self-evaluation of internal control systems and on the reporting requirements mandated by the FMFIA.

* 4. In response to OMB and FMFIA requirements, the NASA Administrator has appointed the Associate Administrator for Management Systems and Facilities (Code J) as NASA's Internal Control Manager with authority for implementing the Agency's internal management control program.

* Changed by this revision.

* 5. The Center Comptroller has been designated as MSFC's IMCO with responsibility, in conjunction with the managers of MSFC programs and functions, for ensuring that the Center's internal management control responsibilities are met. The MSFC Internal Control Office is responsible for aiding the Center Comptroller in carrying out these responsibilities.

* 6. NASA Headquarters requires each Center to maintain a formal followup system that will ensure correction of internal management control weaknesses identified in self-assessments, internal control reviews, and GAO and OIG audits. The followup system that has been in existence to track OIG and GAO audit recommendations will be expanded to include internal management control system weaknesses disclosed in internal control reviews and self-assessments.

* Changed by this revision.

PROCEDURES

1. Internal Control Office will:

   a. Notify the audited organizations concerned, normally 5 working days in advance, as to the tentative beginning dates of review and, if required, furnish names and security clearance of representatives participating in the review. (Floor checks of time and attendance accounting will not be announced.)

   b. Arrange an entrance and exit conference with the Director/Manager of the audited organization, or his/her designated representative, to acquaint him/her with the objectives of the review.

   c. During internal reviews, advise the Center Comptroller and the Director/Manager of the audited organization of instances of fraud, waste, abuse, etc., for immediate management action.

* d. Discuss findings with appropriate personnel during the review and document the findings and corrective actions taken in a written report.

   e. Conduct an exit conference with the Director/Manager of the audited organization, or his/her designated representative, to present and discuss the results of the review.

* f. Distribute written reports to audited organizations for information and/or action, as appropriate. Forward all reports that require resolution of differences through the Center Comptroller to the Associate Director, together with recommendation for approval, revision, or additional action.

* Changed by this revision.

* 2. Audited Organizations will:

Assist the Internal Control Office representatives by making available for review: records, reports, accounting documents, etc. Notify the Internal Control Office of any corrective actions taken and submit a memorandum to the Internal Control Office setting forth plans for implementing corrective actions to address the recommendations identified in the review report.

* Changed by this revision.