



Chief Information Officer Managers' Internal Control Program



INFORMATION BULLETIN

Volume 5, Issue 3

June 30, 2008

Special Message:

The CIO's Annual Statement of Assurance was successfully submitted on June 3, 2008. A special thanks to all Assessable Unit Managers and MIC Program Representatives for all their hard work and support in putting together this report.



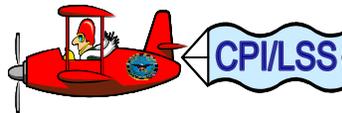
"In addition to getting better assessments of strengths and weaknesses in acquisition organizations, we should also see more focused attention by senior management on the areas that are in greatest need of corrective action." Paul Denett, OFPP Administrator

CPI/LSS Institutionalized in DoD Culture

On May 15, 2008, Assistant Secretary of Defense Gordon England issued a DoD-wide directive for the Continuous Process Improvement (CPI)/Lean Six Sigma (LSS) Program (DoDD 5010.42). The directive establishes policy and assigns responsibilities to institutionalize CPI/LSS as one of the primary approaches to assessing and improving the efficiency and effectiveness of processes in support of the Department's national defense mission.

The policy directs all DoD Components to use CPI/LSS to improve productivity, mission performance, safety, flexibility in meeting mission needs, and energy efficiency.

It also allows Components to retain any savings generated from the CPI/LSS improvements and reinvest them in additional LSS efforts.



According to the directive, all DoD Components shall: 1) ensure implementation of CPI/LSS policies; 2) implement CPI/LSS programs to improve overall effectiveness and efficiency across mission and functions to gain a full range of organizational improvements; 3) develop and implement training procedures and promote CPI/LSS career oppor-

tunities; 4) establish CPI/LSS education, training, and certification procedures consistent with DoD-wide guidelines and standards; and 5) include CPI/LSS in individual employee performance objectives as appropriate.

Elizabeth McGrath, DoD's Principal Deputy Under Secretary for Business Transformation, said that "the May 15 directive institutionalized the Deputy Secretary of Defense's plan to make Continuous Process Improvement/Lean Six Sigma a permanent part of the DoD culture."

Agencies to Conduct Acquisition Assessments

On May 21, 2008, the Office of Federal Procurement Policy (OFPP) issued guidelines for conducting entity level internal control reviews of acquisition functions. The guidelines require agencies to report on four areas: 1) organizational alignment and leadership; 2) policies and processes; 3) human capital; and 4) information management and stewardship.

Agencies are required to integrate the acquisition assessments into existing in-

ternal control reviews and reporting processes used to support the annual statement of assurance. Past reviews have shown that agencies did not give sufficient attention to factors that have the greatest influence on the efficiency and effectiveness of the acquisition function.



The guidelines will help agencies identify sources and causes of performance gaps and identify areas needing additional oversight and corrective action.

"These analyses will give our acquisition officials and other agency stakeholders a clearer picture of what they must do to have the best acquisition structure, controls, and staffing to support agency missions in a timely and cost-effective manner," said Paul Denett, OFPP Administrator.

For a copy of the guidelines go to: http://www.whitehouse.gov/omb/procurement/memo/a123_guidelines.pdf.

OMB Reminds Agencies of Internal Control Responsibilities for Purchase Cards

In response to concerns from a recent Government Accountability Office audit report, the Office of Management and Budget (OMB) has issued a memorandum to remind agencies of their responsibilities for maintaining internal controls to reduce the risk of fraud, waste, and abuse in the government charge card program. Agencies are also responsible for initiating administrative and/or disciplinary actions for charge card misuse.



through the Federal charge card program.”

OMB is in the process of revising Appendix B of the OMB Circular A-123, Improving the Management of Government Charge Card Programs, to address the GAO’s findings. However, in the interim, OMB is asking agencies to begin to develop and implement the following charge card policies and update Charge Card Management Plans and charge card training to reflect these changes:

The April 8, 2008, report highlighted internal control weaknesses involving the government purchase card program and described instances of fraudulent, improper, and abusive charge card activity. OMB is especially concerned with the incidences of charge card abuse by government employees. OMB Director Jim Nussle said that “this is a very serious issue that breaches the trust of the taxpayers as well as diminishes the significant benefits that are achieved

- Extend internal controls over purchase card activities to convenience checks and remind cardholders that use of these checks should be minimized;
- Require cardholders to obtain prior approval or subsequent review of purchase card activity for transactions under the micropurchase threshold;

- Develop and implement specific guidance for ensuring that appropriate disciplinary actions are properly considered and imposed for fraud and other charge card abuses;
- Develop and implement specific guidance for documenting independent receipt and acceptance of items obtained with the purchase card, including: purchases of a de minimus amount that do not require documentation of independent receipt and acceptance and responsibilities of the approving official or supervisor to ensure items purchased were received; and
- Develop and implement specific guidance for inventorying items obtained with the purchase card that are considered to be sensitive and pilferable property and are easily converted to personal use.

For a complete copy of this guidance go to: <http://www.whitehouse.gov/omb/memoranda/fy2008/m08-18.pdf>.

Hatch Act and Federal Employees

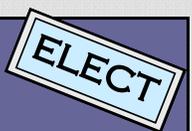
Federal Employees MAY:

- Be candidates for public office in nonpartisan elections
- Register and vote as they choose
- Assist in voter registration drives
- Express opinions about candidates and issues
- Contribute money to political organizations
- Attend political fundraising functions
- Attend and be active at political rallies and meetings
- Join and be an active member of a political party or club
- Sign nominating petitions
- Campaign for or against referendum questions, constitutional amendments, municipal ordinances
- Campaign for or against candidates in partisan elections
- Make campaign speeches for candidates in partisan elections
- Distribute campaign literature in partisan elections
- Hold office in political clubs or parties



Federal Employees MAY NOT:

- Use official authority or influence to interfere with an election
- Solicit or discourage political activity of anyone with business before their agency
- Solicit or receive political contributions (may be done in certain limited situations by federal labor or other employee organizations)
- Be candidates for public office in partisan elections
- Engage in political activity while:
 - on duty
 - in a government office
 - wearing an official uniform
 - using a government vehicle
- Wear partisan political buttons on duty



Source: U.S. Office of Special Counsel
<http://www.osc.gov/hatchact.htm>

NASA Employee Suspended for Hatch Act Violations

On March 30, 2008, a NASA employee began serving a 180 day suspension (without pay) for engaging in political activity while on duty in a federal building, a violation of the Hatch Act. During 2006 and 2007, the Johnson Space Center employee used his government email account and government computer to write politically partisan blog posts and emails while on duty.



revealed that the employee had been using his NASA email account to help coordinate activities for a local partisan organization and to support a candidate with her campaign for state representative. The employee also used blog postings to promote several local and state candidates and to solicit political contributions on at least two separate occasions during 2006.

tons in the office, or engaging in political activity while on duty, wearing an official uniform, or in a government vehicle,” said Special Counsel Scott Bloch. “Today, modern office technology multiplies the opportunities for employees to abuse their positions and, as in this serious case, to be penalized, even removed from their job, with just a few clicks of a mouse.”

Emails, uncovered during the Office of the Special Counsel’s investigation,

“There was a time when the Hatch Act was about wearing campaign but-

Source: http://www.osc.gov/documents/press/2008/pr08_04.htm.

Assessable Unit Managers’ Corner

As organizational changes and consolidations continue, the MIC Program Office would like to remind all Assessable Unit (AU) Managers of the need to review their current AUs to update existing functions; eliminate duplication; and, if necessary, determine the need for new AUs to cover new mission areas.

Existing internal controls should also be reviewed to ensure currency and applicability considering the recent organizational changes.

At the July 17th MIC meeting, we will discuss these and other areas affected by the reorganization including AU Manager and office

representative changes.

MIC Program Mtg Agenda 7/17

1. Assessable Unit Changes
2. AU Manager Changes
3. Corrective Action Updates

Audit Reviews Highlight Internal Control

During their review of Government-wide purchase cards, the GAO tested agencies’ internal controls that they considered important in creating a system that prevents and detects fraudulent, improper, and abusive purchase card activity. These included whether: 1) cardholders had the proper authority to make their purchases and 2) goods and services were independently received and accepted. Results from a statistical sample of transactions from July 2005 through June 2006 demonstrated that both of these key controls were ineffective, as 41% of these transactions were not properly authorized or did not have proof of independent receipt and acceptance. Results showed that agencies were also unable to account for 458 of 1,058 accountable and pilferable items. These items totaled over \$1.8 million and included laptops, iPods, computer servers, and digital cameras. To read more about this report (GAO 08-333), please visit <http://www.gao.gov/new.items/d08333.pdf>.

During their review of Defense Contracting, the GAO determined that 2,435 former DoD senior and acquisition officials, who are subject to restrictions on post-DoD employment, were employed by 52 contractors in 2006. The GAO estimated that 422 individuals could have been working on defense contracts under the responsibility of their former agency, office, or command, and at least nine could have worked on the same contracts for which they had oversight or authority over. While many agencies claimed they have procedures to identify and track the assignments of these former officials, the data GAO examined from the IRS showed significant under-reporting. According to data supplied by the contractors, there were 1,263 former DoD officials, a difference of 1,172 from the actual numbers provided by the IRS. To ensure compliance with post-government employment restrictions, GAO recommended that DoD examine recent statutory changes to determine if addition reporting or other requirements should be imposed. To read more about this report (GAO-08-485), please visit <http://www.gao.gov/new.items/d08485.pdf>.



“While the overall failure rates associated with government-wide purchase card transactions have improved... breakdowns in internal controls over the use of purchase cards leave the government highly vulnerable to fraud, waste, and abuse.”