



To enhance mission performance, TSA is committed to promoting a culture founded on its values of Integrity, Innovation and Team Spirit.

REVISION: This directive supersedes TSA MD 3100.3, *Management Control Program*, dated February 3, 2005.

SUMMARY OF CHANGES: Section 3, Authorities, adds Department of Homeland Security (DHS) Financial Accountability Act; Section 4, Definitions, adds, deletes and modifies certain terms; and adds Two (2) sample letters as attachments. Senior Manager was changed to Senior Mission Area Manager throughout the MD.

1. **PURPOSE:** This directive provides TSA policy and procedures for implementing, evaluating and reporting on TSA's management controls.
2. **SCOPE:** This directive applies to all TSA organizational components.
3. **AUTHORITIES:**
 - A. Aviation and Transportation Security Act, Public Law (PL) 107-71, dated November 19, 2001, as amended.
 - B. Chief Financial Officers Act of 1990, PL 101-576, dated January 23, 1990, as amended.
 - C. DHS Financial Accountability Act, PL 108-330, dated October 16, 2004.
 - D. Federal Managers' Financial Integrity Act (FMFIA) of 1982, PL 97-255, dated September 8, 1982, as amended.
 - E. Government Accountability Office (GAO) GAO/AIMD-00-21.3.1, *Standards for Internal Control in the Federal Government*, dated November 1999.
 - F. GAO-01-1088G, *Internal Control Management and Evaluation Tool*, dated August 2001.
 - G. Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004.
 - H. OMB Circular A-127, *Financial Management Systems*, dated July 23, 1993, as revised.
 - I. OMB Circular A-130, *Management of Federal Information Resources*, dated July 1994, as revised.
 - J. TSA Policy Statement on Management Control, dated September 20, 2005.

4. DEFINITIONS:

- A. Assessable Unit: The basic organizational segment having one or more management control systems upon which periodic risk assessments must be performed.
- B. Assessable Unit Manager: A TSA Manager directly responsible for ensuring that areas designated as assessable units under their control are managed in accordance with public law, DHS, and TSA guidance.
- C. Control Objective: A desired goal or condition to be achieved by the control techniques used on an assessable unit.
- D. Control Technique: Any form of organization procedure or document flow that is being relied on to accomplish a control objective.
- E. Internal Control: Also referred to as “management control.” (See Management Control).
- F. Management Control: Also referred to as “internal control,” an integral component of an organization’s management that provides reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.
- G. Management Control Assessments: Assessments performed to determine whether management control techniques exist and are implemented and working effectively.
- H. Management Control Categories: The major mission areas of TSA separated into four distinct categories as follows: Security Operations, Business Management, Human Capital Management, and Other Support Services.
- I. Management Control Objective Plan: A plan developed by an assessable unit manager that establishes control objectives for areas most critical to mission accomplishment and susceptible to fraud, waste, and mismanagement. The Plan is prepared in accordance with the instructions and format prescribed in [TSA Form 1011, Management Control Objective Plan](#).
- J. Management Control Objective Plan Assessment: A detailed examination of management controls performed by an assessable unit to determine whether the Management Control Objective Plan is effective in accomplishing administrative, operational, and mission objectives.
- K. Management Control Plan: A summary of the TSA Management Control Program Activity for the current year prepared by the TSA Management Control Officer that indicates the number of scheduled and accomplished management control assessments, the identity of TSA assessable units, and progress toward accomplishment of annual program requirements.
- L. Management Control Program: The full scope of management responsibility as defined in this management directive.

- M. Management Control Program Manager: Government employee designated by a Senior Mission Area Manager to serve as the focal point for management control activities in their organization.
- N. Management Control System: The sum of DHS and TSA methods and measures used to achieve the management control objectives - both the controls and the evaluations of those controls.
- O. Material Weakness: A reportable condition, or combination of reportable conditions, that results in more than a remote likelihood that a material misstatement of the financial statements, or other significant reports, will not be prevented or detected.
- P. Reasonable Assurance: A judgment by TSA Leadership, based upon an evaluation of all available information, that TSA systems of management controls are operating as required by the FMFIA.
- Q. Risk: The probable or potential adverse effects from inadequate management controls that may result in the loss of Government resources or cause an agency to fail to accomplish significant mission objectives through fraud, error, or mismanagement.
- R. Senior Mission Area Manager: Assistant Administrators and equivalents, and Federal Security Directors.
- S. Statement of Assurance: A statement by the agency head that provides reasonable assurance as to the overall adequacy and effectiveness of management controls within the agency.

NOTE: The statement must take one of the following forms: a Statement of Assurance; a Qualified Statement of Assurance; or a Statement of No Assurance.

- T. Supporting Statement of Assurance: A statement on reasonable assurance representing the Senior Mission Area Manager's informed decision as to the overall adequacy and effectiveness of management controls within his or her mission area.

NOTE: The statement must include an assessment of the mission areas Management Control Objective Plans and state whether material weaknesses were identified.

- U. Vital Management Controls: Management Controls essential to the accomplishment of the overall TSA mission or responsibilities of a specific assessable unit.

5. RESPONSIBILITIES: To meet the FMFIA requirements, all government agencies must establish, evaluate, and report on management controls, and submit an annual "Statement of Assurance" to the President and the Congress. The TSA Chief Financial Officer (CFO) is the senior official responsible for ensuring TSA compliance with the FMFIA. Specific responsibilities associated with the TSA Management Control Program are as follows:

- A. Assistant Administrator and Chief Financial Officer, Office of Finance and Administration (OFA/CFO) is responsible for:

- (1) Ensuring that the evaluation of, improvement of, and reporting on the TSA management control system meets the requirements of the FMFIA, OMB and DHS regulations.
 - (2) Developing and issuing policy guidance for compliance and reporting requirements associated with the Management Control Program.
 - (3) Submitting the annual Statement of Assurance to the Assistant Secretary of Homeland Security for TSA. The Statement of Assurance is to be used as TSA's submission to DHS which in turn submits a consolidated statement to the Congress and the President.
- B. Assistant Administrator and Chief Information Officer, Office of Information Technology (OIT/CIO) is responsible for:
- (1) Assuring that proper controls, manual or automated, are in place in automated systems.
 - (2) Management of the information technology controls.
 - (3) Providing guidance concerning the evaluation of management controls within automated systems.
- C. Office of Financial Management (OFM) is responsible for:
- (1) Appointing a Management Control Officer to serve as the focal point for Management Control Program activities within TSA using the sample appointment memorandum provided with this directive. (**Attachment 1**)
 - (2) Providing technical advice, training, and program direction to the TSA Management Control Program.
 - (3) Providing guidance to program assessable unit managers in performing management control reviews.
 - (4) Soliciting input from TSA activities to prepare the annual Statement of Assurance for submission to DHS.
 - (5) Serving as the TSA lead for consolidating data and reporting the status of corrective actions associated with financial audits or other financial management reviews.
 - (6) Reporting the annual Statement of Assurance and TSA Management Control Plan to the OFA/CFO.
 - (7) Drafting and/or coordinating responses to financial audit and FMFIA inquiries from DHS, OMB, GAO, and the Congress.
 - (8) Establishing quality control procedures to monitor the implementation of the management control process.

- (9) Developing periodic reports to DHS and TSA senior management officials on management control issues.
- (10) Preparing the annual FMFIA, Section 4, Statement of Assurance to document TSA's financial management system's conformance to Government-wide requirements.

D. Management Control Officer is responsible for:

- (1) Reporting on, and ensuring that TSA management control activities are administered in accordance with the FMFIA.
- (2) Developing and maintaining an agency wide inventory of TSA assessable units capable of being evaluated by management control procedures.
- (3) Preparing and maintaining the TSA Management Control Plan.
- (4) Monitoring management control evaluations to determine if they meet the required documentation standards as described in OMB Circular A-123.
- (5) Providing training to program and assessable unit managers on management control concepts and on the Management Control Program goals, policies, and procedures.
- (6) Monitoring program manager's Management Control Program activities and providing appropriate feedback.
- (7) Consolidating Management Control Program Manager's reports as required to fulfill DHS, TSA and FMFIA requirements.
- (8) Obtaining current status and reports on corrective actions taken on material weaknesses and other reportable conditions associated with financial statement audits or other management control issues.
- (9) Consolidating Supporting Statements of Assurance and preparing the annual Statement of Assurance for OFA/CFO submission to TSA's Assistant Secretary.
- (10) Performing periodic reviews of Management Control Program activities and the reporting process in accordance with the annual Management Control Plan.

E. Senior Mission Area Managers are responsible for:

- (1) Fulfilling Management Control Program responsibilities per this directive.
- (2) Establishing management control objectives for their mission areas.
- (3) Designating a Management Control Program Manager to manage their Management Control Program using the sample appointment memorandum provided with this

directive (**Attachment 2**); and providing guidance to assessable unit managers in their organization.

- (4) Defining assessable units for their area of responsibility and identifying assessable unit managers.
- (5) Evaluating existing management controls to ensure they are efficient and cost-effective.
- (6) Preparing and signing an annual Supporting Statement of Assurance which states whether or not there is reasonable assurance that the objectives of the management control program for their mission areas were met. These statements collectively form the support for TSA's annual Statement of Assurance to the President, the Congress and DHS.
- (7) Reporting progress and compliance in response to Office of Financial Management direction on management control program implementation and the status of material weakness corrective actions.
- (8) Preparing a management control objective plan (updated annually), which lists the assessable units under their control.
- (9) Continuously monitoring and improving the effectiveness of management controls.

F. Management Control Program Managers are responsible for:

- (1) Serving as the focal point for management control within their mission area.
- (2) Ensuring that management control assessments are performed completely, accurately, and adequately to support the annual year-end statement of assurance.
- (3) Following up on, and monitoring through correction, management control weaknesses identified during management control and other evaluations.
- (4) Overseeing the Management Control Program and maintaining the Management Control Objective Plan for their mission area.
- (5) Providing guidance and training to managers and personnel within their mission areas.
- (6) Ensuring that Management Control Program evaluations of assessable units under their responsibility are performed completely, accurately, and adequately to support their mission areas' Supporting Statement of Assurance.
- (7) Reporting Management Control Program activity to the TSA Management Control Officer as required.
- (8) Working closely with the TSA Management Control Officer on all aspects of their Management Control Program, reporting on improvements and weaknesses.

- (9) Preparing the annual Supporting Statement of Assurance for their Senior Mission Area Managers' signature and submission to the OFA/CFO.

G. Assessable Unit Managers are responsible for:

- (1) Ensuring areas under their control are managed in accordance with public law, DHS, and TSA guidance.
- (2) Developing and establishing vital management controls and a control objective for areas most critical to mission accomplishment and susceptible to fraud, waste, and mismanagement.
- (3) Conducting evaluations of existing controls and correcting known weaknesses.
- (4) Categorizing controls according to management control categories.
- (5) Developing, implementing, and maintaining controls as an integral part of the processes used to operate the organization's programs and functions.
- (6) Reporting on management control evaluations conducted on assessable units under their control.
- (7) Maintaining and providing assessable unit evaluation documentation to their Management Control Program Manager and the Management Control Officer to support the annual Statement of Assurance.

6. POLICY:

- A. TSA will implement the Management Control Program at all levels, and management control processes will be included as part of the TSA basic management structure to improve effectiveness and accountability for results. The Program will be incorporated into daily operating and management practices and will maximize the use of existing evaluative processes when available.
- B. Requests to close out Corrective Action Plans must be submitted to the Management Control Council (see [TSA MD 1000.10-2, Management Control Council](#)) using the appropriate format as provided in the Management Control Program Manual.
- C. TSA will comply with requirements consistent with Section 4 of the FMFIA, which requires agencies to report on whether their accounting and financial systems conform to the standards and requirements prescribed by the Comptroller General.
- D. Requests for public release and disclosure of information about the Management Control Program, management control assessment results, supporting Statements of Assurance or other information developed through the management control process are to be handled in

accordance with the Freedom of Information Act procedures as established by the TSA's Freedom of Information Act office.

NOTE: TSA's annual Statement of Assurance may be made available, upon request, to the general public, except in the case of any Statement containing certain restricted information.

7. PROCEDURES: Additional detailed guidance may be found in the Management Control Program Manual.

A. Implementation Process:

- (1) Segment the Organization. Activities should be segmented along organizational lines into assessable units. Guidelines for segmenting are provided in the [Management Control Program Manual](#), which is available on the [OFM Internal Control Branch Web Page](#).
- (2) Conduct a Risk Assessment. Identify issues, which could cause an agency to fail to accomplish mission objectives through fraud, error, or mismanagement. Guidelines for conducting a risk assessment are provided in the Management Control Program Manual.
- (3) Assign Responsibility for Management Control of each assessable unit.
- (4) Develop a Management Control Objective Plan using the format and instructions provided in [TSA Form 1011](#).
- (5) Conduct Assessments of Management Controls. Management control assessments are performed to determine whether management control techniques exist and are implemented to ensure that management control systems are working effectively. Guidelines for conducting assessments are provided in the Management Control Program Manual.
- (6) Correct deficiencies in management control using Corrective Action Plans. Additional guidance for preparing, tracking and close-out of a corrective action plan is found in the Management Control Program Manual.
- (7) Disclose material weaknesses in management control or other reportable conditions, and monitor corrective action status through periodic reports.

B. Reporting: The OFA/CFO will issue appropriate call letters to Senior Mission Area Managers transmitting the prescribed guidance and current reporting formats as directed by DHS and OMB for management control reporting to include the following:

- (1) Assistant Secretary's Annual Statement of Assurance: The OFA/CFO will prepare the TSA "Statement of Assurance" according to instructions received annually from DHS and OMB. The statement will be based on Supporting Statements of Assurance provided by TSA senior mission area managers and include an assessment of the effectiveness of TSA management controls.

(2) Supporting Statement of Assurance: Each Senior Mission Area Manager must submit a Supporting Statement of Assurance. The statement must include an assessment of the mission area's Management Control Objective Plan, and must state unequivocally whether material weaknesses were found and provide a description of each weakness.

(3) Management Control Objective Plan: Each TSA Senior Mission Area Manager must annually submit a Management Control Objective Plan for their mission area. The Plan will be prepared as specified in the Management Control Program Manual.

C. Documentation Requirements: All levels of TSA management must maintain adequate documentation of their management control program activity. Records must be maintained for the Management Control Program according to TSA records disposition standards.

8. **EFFECTIVE DATE AND IMPLEMENTATION:** This policy is effective immediately upon signature.

APPROVAL



8/27/2008

David R. Nicholson, Assistant Administrator for
Finance and Administration/Chief Financial Officer

Date

Filing Instructions: File 200.1.1
Effective Date: August 27, 2008
Review Date: August 27, 2010
Distribution: Assistant Administrators and equivalents, Federal Security Directors, and office directors.
Point-of-Contact: OFM, InternalControls@dhs.gov, 571-227-2607

Sample Appointee Letter for the Management Control Officer

(TSA Letterhead)

TO: <Name of Appointee>

FROM: <Name of Director>
Director, Office of Financial Management

SUBJECT: Letter of Appointment for TSA Management Control Officer

In accordance with MD 1000.10-1, Management Control Program, you are appointed the Management Control Officer for Management Control Program activities within the TSA.

As the focal point for management/internal control, your responsibilities include the following:

- Serve as the TSA point of contact for reporting on and ensuring that TSA management control activities are administered in accordance with the Federal Managers' Financial Integrity Act (FMFIA) and the DHS Financial Accountability Act, where applicable.
- Develop and maintain an agency wide inventory of TSA assessable units capable of being evaluated by management control procedures.
- Prepare and maintain the TSA Management Control Plan.
- Monitor management control evaluations to determine if they meet the required documentation standards as described in OMB Circular A-123.
- Provide training to program and assessable unit managers on management control concepts and on the management control program goals, policies and procedures.
- Monitor program manager's management control program activities providing appropriate feedback.
- Consolidate management control program manager's reports as required to fulfill Department, Agency and FMFIA requirements.
- Obtain current status and report on corrective actions taken on material weaknesses and other reportable conditions associated with financial statement audits or other management control issues.
- Provide guidance and assistance to programs and assessable units responsible for implementation of corrective actions.
- Consolidate TSA year-end supporting Statements of Assurance and prepare the Annual Statement of Assurance for OFA/CFO submission to the Assistant Secretary of Homeland Security for TSA.
- Conduct Management Control Program Assistance visits at headquarters and field locations in accordance with an annual schedule.
- Facilitate all meetings and working groups associated with the TSA Management Control Council.
- <Any additional duties as required>

**TSA MANAGEMENT DIRECTIVE No. 1000.10-1
MANAGEMENT CONTROL PROGRAM**

Responsibilities will be carried out in accordance with the guidance of the Director, Office of Financial Management. Accordingly, questions concerning this appointment should be addressed to the Director, Office of Financial Management, 571-227-1437.

Management Control Program Manager Appointment Memo – Sample

(TSA Letterhead)

DATE: <Date>

TO: <Name of Designee>

FROM: <Name and Title of Senior Mission Area Manager>

SUBJECT: Letter of Designation for Management Control Program Manager

In accordance with MD 1000.10-1, Management Control Program, you are hereby designated as the Management Control Program Manager for all activities under my area of responsibility.

This is a collateral duty and should be included as part of your regular responsibilities. As the focal point for management/internal control, you are responsible for the following:

- Oversee the management control program and maintain the management control objective plan for the following areas: <List mission areas>
- Ensure management control assessments are performed completely, accurately, and adequately to support the annual year-end statement of assurance.
- Actively follow up on, and monitor through correction, management control weaknesses identified during management control and other evaluations.
- Provide guidance and training to managers and personnel within their designated mission areas.
- Ensure that management control program evaluations of assessable units under their responsibility are performed completely, accurately and adequately support the year-end Statement of Assurance.
- Report management control program activity to the TSA Management Control Officer as required.
- Work closely with the TSA Management Control Officer on all aspects of management control program reporting on improvements and weaknesses.
- Prepare the annual Statement of Assurance for Senior Mission Area Manager's signature and submission to the CFO.
- Maintain knowledge base of on-going and future Management Control Program activities based on information provided by the TSA Management Control Officer.
- Prepare and deliver a Management Control Program status briefing to senior management prior to attendance at the Management Control Council (if required).
- *Add additional duties as required.*

Additionally, you are responsible for completing the Management Control Program Implementation Presentation (TSA-GEN-MGTCTL-0001) available on the Online Learning Center (OLC) annually. Additional assistance in fulfilling your responsibilities may be obtained by contacting the Office of Financial Management, Internal Control Branch at internalcontrol@dhs.gov.