

# Reclamation Manual

## Directives and Standards

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<b>Subject:</b>	Programmatic Internal Control Program Management
<b>Purpose:</b>	The purpose of the Programmatic Internal Control Program Directive and Standard (D&S) is to identify the requirements for establishing, maintaining, evaluating, improving, and reporting on internal controls. This D&S reinforces the principles of efficiency, transparency, and accountability in the operation of the Bureau of Reclamation's Programmatic Internal Control Program. Benefits of the D&S and of an effective Programmatic Internal Control Program include the ability to anticipate, highlight, and resolve programmatic problems and identify potential risks. In addition, the Programmatic Internal Control Program provides the benefit of improved program effectiveness and reliability of operations.
<b>Authority:</b>	Federal Managers' Financial Integrity Act of 1982 (FMFIA) (Pub. L. 97-255; 31 U.S.C § 3512); Office of Management and Budget (OMB) Circular A-123, <i>Management's Responsibility for Enterprise Risk Management and Internal Control</i> ; Government Accountability Office, <i>Standards for Internal Control in the Federal Government</i> ; 340 Departmental Manual (DM) 1, <i>Management Accountability and Control: General Policy and Responsibilities</i> ; Annual Financial Management Memorandum; and <i>Internal Control and Audit Follow-up (ICAF) Handbook</i> .
<b>Approving Official:</b>	Director, Policy and Administration (Policy)
<b>Contact:</b>	Business and Administrative Services Division, Program Services Office (84-52100)

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- 1. Introduction.** Reclamation's management is responsible for establishing and maintaining effective internal controls (see 340 DM 1.5 K). Reclamation has established a Programmatic Internal Control Program to allow managers at all levels to satisfy their applicable internal control responsibilities and proactively manage risk associated with the achievement of their programs. Reclamation's Programmatic Internal Control Program emphasizes integrity and ethical values to address demands for Government programs and operations to be effective, efficient, reduce loss of assets, and be compliant with laws and regulations. Internal controls serve as the first line of defense in safeguarding assets and in preventing and detecting errors, fraud, waste, abuse, and mismanagement of resources. Internal controls help Government program managers achieve desired results through effective stewardship of public resources.

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### 2. **Applicability.**

- A. This D&S applies to all Reclamation employees involved in programmatic functions, including planning, organizing, directing, controlling, and reporting on Reclamation programmatic operations.
- B. This D&S does not apply to internal controls over financial reporting or any program for which the Mission Support Organization has oversight responsibility. See Appendix A: *Realignment of the Internal Control Program* memorandum dated March 19, 2014.

### 3. **Program Oversight.**

- A. The Senior Management Council will provide senior-level oversight of Reclamation's implementation and execution of Programmatic Internal Control Program activities and ensure Reclamation's commitment to an appropriate internal control environment and compliance with all aspects of *OMB Circular A-123*.
- B. The Programmatic Senior Assessment Team will provide input and oversight on the Programmatic Internal Control Program annual assurance statement process, which concludes with the Commissioner signing and issuing Reclamation's Annual Assurance Statement.
  - (1) The Programmatic Senior Assessment Team will review the operations of the Programmatic Internal Control program and work with the Programmatic Internal Control Program Manager to identify improvements and ensure requirements of *OMB Circular A-123* and policies and procedures outlined in the *ICAF Handbook* are properly implemented.
  - (2) The Programmatic Senior Assessment Team will communicate with their respective program offices on areas of concern, such as overdue corrective actions and issues of non-conformity.
  - (3) The Programmatic Senior Assessment Team will advise the Senior Management Council of issues, strategies, and potential risks that need to be brought to the attention of the Reclamation Leadership Team (RLT) or Commissioner relative to the Programmatic Internal Control Program.
- C. The Programmatic Internal Control Program Manager will review internal control submissions and associated data for issues of non-conformities with Programmatic Internal Control Program requirements and other issues, such as overdue corrective actions, and consult with Assessable Unit (AU) managers and/or the Programmatic Senior Assessment Team as necessary to achieve program compliance.

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### 4. **Program Administration.**

- A. The Programmatic Internal Control Program Manager will provide broad implementation guidance and recommend strategies for Programmatic Internal Control Program implementation, including strategies for improving the risk assessment processes and Internal Control Reviews.
- B. The regional Internal Control Coordinators (ICCs) will assist their RLT members and regional AU coordinators with implementing the Programmatic Internal Control Program by coordinating internal control activities at the regional level.
- C. The Denver Office/Washington Office Internal Control Coordinator (DO/WO ICC), located in Policy, will support AU managers in the implementation of the Programmatic Internal Control Program by facilitating and/or participating in continuous process improvement events and activities to validate and enhance the system of programmatic internal control for individual AUs, providing guidance to address issues of non-conformity with Programmatic Internal Control Program requirements, and generating reports from the Automated Internal Control System (AICS), as requested, indicating the status of Internal Control Reviews or corrective actions plans.

### 5. **Programmatic Internal Control Operations.** The Programmatic Internal Control Program follows a six-step process which is described below and outlined in Appendix C – Annual Internal Control Cycle and Appendix D – Programmatic Internal Control Program Flowchart. The Programmatic Internal Control Program Manager will provide guidance, training, and templates to AU managers and other Reclamation staff, as necessary, to carry out the six-step process below.

- A. **Step 1 - Identifying and Verifying Internal Control Components and AUs.** The Programmatic Senior Assessment Team, with assistance from the Programmatic Internal Control Program Manager, must validate Reclamation's components and AUs, and make revisions as necessary to address new or emerging risks, changes in the political climate; changes to Reclamation's organizational structure, or changes to Reclamation's goals. The output of this step is documented in the Component Inventory. Step 1 consists of the following:
  - (1) **Component Alignment to Reclamation Objectives/Mission.** Annually, the Programmatic Senior Assessment Team must verify existing components and identify new ones, as applicable. The Programmatic Senior Assessment Team must propose changes to components as necessary to accurately align to Reclamation's objectives and mission.
  - (2) **AU Verification and Development.** The Programmatic Senior Assessment Team must verify that critical organizational activities, programs, or functional subdivisions of Reclamation's mission (e.g., water delivery or hiring) are accounted for in an existing AU. If a critical organizational activity or program

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cannot be identified in a current AU, the Programmatic Senior Assessment Team must modify or develop a new AU to ensure all critical programs and activities are accounted for in a documented AU. The Programmatic Senior Assessment Team must identify the component to which the AU applies (documented in the Component Inventory) and the identity of the AU manager.

- (3) **AU Removal.** If the Programmatic Senior Assessment Team determines an AU is no longer applicable and the activities and programs within the AU are no longer deemed critical, the AU must be removed from the Component Inventory.
- (4) **Senior Management Council Approval.** Once the Programmatic Senior Assessment Team has validated the list of existing Components and AUs, proposed new Components and AUs, and/or deleted Components and AUs no longer deemed critical, the proposed Component Inventory (including the list of components, AUs, and AU managers) is sent by the Programmatic Internal Control Program Manager to the Senior Management Council for final approval.

**B. Step 2 - Identifying and Verifying Risks.** Risk identification is performed to identify and evaluate risks throughout Reclamation's internal control culture, components, and AUs. A risk assessment represents a comprehensive screening process to identify potential problems or risks to the program or AU from both internal and external sources. Possible risks to the program include, but are not limited to compliance, budget, process documentation, safety, environmental, security, and information technology.

- (1) **Organizational Risks.** Organizational risks to Reclamation must be identified using the Entity Level Questionnaire tool. The Entity Level Questionnaire is focused on five areas: control environment, risk assessment, information and communication, control activities, and monitoring. Organizational risks are identified in the following manner:
  - (a) Annually, the Programmatic Internal Control Program Manager will distribute to the RLT and ICCs<sup>1</sup> the Entity Level Questionnaire, which measures the organization's senior-level commitment and implementation of internal controls (i.e., internal control culture).
  - (b) ICCs facilitate the process of completing and submitting the Entity Level Questionnaire for their respective region/office(s).
  - (c) The RLT completes the evaluation through observation, inquiry, and inspection.

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<sup>1</sup>For purposes of this D&S, when the term ICC is used by itself, it is inclusive of both the regional ICCs and DO/WO ICC.

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- (d) The Programmatic Internal Control Program Manager analyzes and consolidates Entity Level Questionnaire responses from the RLT into a summary report, which is provided to the Programmatic Senior Assessment Team for review.
  - (e) The Programmatic Senior Assessment Team identifies any concerns to raise to the Senior Management Council and develops a recommendation for a Reclamation-wide summary response to the Department.
  - (f) The Programmatic Internal Control Program Manager will provide the Programmatic Senior Assessment Team-proposed summary response to the Senior Management Council for review and approval prior to submitting it to the Department.
- (2) **AU Risk Assessment.** Each AU manager, with support from the DO/WO ICC as requested, is responsible for carrying out an annual risk assessment of their AU by completing the Integrated Risk Rating Tool (IRRT). The IRRT is distributed annually by the Programmatic Internal Control Program Manager. The AU manager must evaluate the processes and programs within their AU using the IRRT to determine the likelihood and impact of risks. Each risk identified by the AU manager must be assessed in terms of both inherent risk and residual risk. The likelihood and impact of each risk must be based on previous review findings, issues, or incidents as well as the AU manager's expertise and insights. The results of the IRRT survey will indicate the AU's risk level and associated review requirements (see below):
- (a) **High Risk.** AUs with high inherent risk require at least one Internal Control Review or Alternative Internal Control Review completed annually.
  - (b) **Medium Risk.** AUs with medium inherent risk require at least one Internal Control Review completed every 3 years.
  - (c) **Low Risk.** AUs with low inherent risk require at least one Internal Control Review completed every 5 years.
- (3) **Schedule for Planned Reviews.** The AU manager must provide a plan of Internal Control Reviews or Alternative Internal Control Reviews, including regional Internal Control Review Reports as determined in Paragraph 5.E.(1)(a), for the next 3 years, also referred to as the 3-year plan, based on the risk ratings and review requirements found in regulations, Reclamation Manual releases, and/or standard operating procedures. AU managers must make recommendations to their management for the allocation of adequate resources to conduct planned reviews. The 3-year plans are updated annually and submitted to the Programmatic Internal Control Program Manager via the AICS (see Paragraph 5.B.(3)(b)) as part of the Component Inventory development process.

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- (a) **Internal Control Review Plan Development.** AU managers schedule and implement internal control reviews and will ensure the suitability, adequacy and effectiveness of the internal control to address risks and enhance program performance.
  - (b) **AICS Documentation<sup>2</sup>.** The AU managers, or the DO/WO ICC as requested, must enter the planned Internal Control Reviews into the AICS, including regional Internal Control Review Reports as determined in Paragraph 5.E.(1)(a).
  - (c) **3-Year Plan.** Reclamation's Programmatic Internal Control Program Manager will pull reports from the AICS to develop the Reclamation-wide 3-year plan of reviews required by the Department.
- (4) **Programmatic Senior Assessment Team Review.** Annually, the Programmatic Internal Control Program Manager must combine the risk ratings from the IRRT, along with the Component Inventory and 3-year plans (by AU), into a single report and provide it to the Programmatic Senior Assessment Team for review and approval. Programmatic Senior Assessment Team members must work with the AU managers for which they have oversight responsibility and the DO/WO ICC to resolve any discrepancies and address any areas of concern identified during the Programmatic Senior Assessment Team review.
- (5) **Senior Management Council Review.** Once approved by the Programmatic Senior Assessment Team, the IRRT risk ratings, Component Inventory data, and 3-year plans will be submitted by the Programmatic Internal Control Program Manager to the Senior Management Council for final review and approval.
- (6) **Department Submission.** After the IRRT risk ratings, Component Inventory data and 3-year plans are reviewed and approved by the Senior Management Council, the Programmatic Internal Control Program Manager must submit this information to the Department (specific due dates are supplied by the Department).
- C. **Step 3 - Documenting Key Processes and Internal Controls.** AU managers must establish, implement, and maintain effective internal controls within their AU to comply with applicable laws and Departmental internal control guidelines, meet program objectives, and reduce program risks to acceptable levels. Annually, the DO/WO ICC will work with the AU managers to document and verify each AU. AU documentation must include at least the following (AU managers are permitted to add additional documentation measures as they deem appropriate):

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<sup>2</sup>New AUs and newly required regional Internal Control Review Reports will have no more than 2 years to make process changes to meet the AICS uploading requirements. For a complete list of AICS documentation requirements refer to Appendix G.

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- (1) program risks, documented through the IRRT and included in the Component Inventory;
- (2) processes and control activities, documented through the IRRT and Component Inventory; and
- (3) AU-specific criteria for developing Internal Control Review Reports and determining Findings.

D. **Step 4 - Assessing Internal Controls and Internal Control Review Reports.** The assessment of internal controls is accomplished by completing Internal Control Reviews and Alternative Internal Control Reviews to evaluate the implementation and effectiveness of internal controls defined throughout program D&S, standard operating procedures, and various other required documents.

- (1) RLT members must ensure appropriate resources, including funding, have been allocated to support Internal Control Reviews.
- (2) The AU manager must oversee the planning and execution of Internal Control Reviews or Alternative Internal Control Reviews as submitted in the annual submission of the 3-year plan.
- (3) The AU manager and their supervisor, in consultation with the Programmatic Internal Control Program Manager, have the discretion to determine the appropriate scope of Internal Control Reviews, including further defining what qualifies as an Internal Control Finding.
- (4) If an AU manager needs to delay, defer, or cancel reviews from the 3-year plan, the following process must occur:
  - (a) The AU manager must immediately notify the Programmatic Internal Control Program Manager.
  - (b) The Programmatic Internal Control Program Manager will work with the AU manager and DO/WO ICC to determine whether it is necessary to request Department approval to cancel or defer the review, as required by the Department's ICAF Handbook.
  - (c) If it is determined that Department approval is necessary, the request to cancel or defer a review must come from the RLT member responsible for overseeing the AU and be addressed to the Department's Office of Financial Management, with a copy sent to the Programmatic Internal Control Program Manager.

E. **Step 5 - Documenting Results and Implementing Corrective Actions.** Developing Internal Control Review Reports and implementing corrective actions for Internal

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Control Findings are required. Documentation of results allows review and finding information to be communicated to relevant personnel at all levels within the organization. RLT members must ensure adequate resources, including funding have been allocated to support the correction of Internal Control Findings and Material Weaknesses. The format of the Internal Control Review Report is at the discretion of the AU manager and his/her supervisor.

- (1) **Internal Control Review Reports.** The AU manager must, at a minimum, document if any systemic or significant findings (Internal Control Findings) or Material Weaknesses were identified within the Internal Control Review Report. AU managers must analyze regional finding/recommendation data for trends and systemic issues to be formulated into summary Internal Control Reviews, where appropriate. Internal Control Findings documented in the Internal Control Review Report or summary Internal Control Review must be addressed through a corrective action plan. The Programmatic Internal Control Program Manager will make available a corrective action plan template upon request. Program-specific findings are to be tracked and reported at the discretion of the AU manager. See Appendix D for example flowchart. Additionally, the Internal Control Review Report must be provided to the applicable ICC, Programmatic Internal Control Program Manager, and AU manager.
  - (a) **Regional Internal Control Review Reports.** AU managers must determine if regional Internal Control Review Reports must be generated. AU managers must base their decision to have regional Internal Control Review Reports on how the program is administered, the value gained (increase in program effectiveness) from regional reporting, and the functions within the program (e.g., are there issues that would be specific to a region, area office, or facility?). Once the AU manager determines that regional Internal Control Review Reports are required, regional AU coordinators, at the discretion of the AU manager, will have up to 2 years to develop regional Internal Control Review Reports to document and identify Internal Control Findings.
  - (b) **AICS Documentation<sup>3</sup>.**
    - (i) **Internal Control Review Reports.** AU managers must upload or provide the appropriate ICC the necessary information to upload Internal Control Review and Alternative Internal Control Review Reports and associated Internal Control Findings into the AICS. The AU manager must also identify the appropriate RLT member to review the report in the AICS.

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<sup>3</sup>New AUs and newly required regional Internal Control Review Reports will have no more than 2 years to make process changes to meet the AICS uploading requirements. For a complete list of AICS documentation requirements refer to Appendix G.

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- (ii) **RLT Member Review.** After uploading the completed review reports into the AICS, the RLT member representing the directorate/region authoring the Internal Control Review Report must make a designation in the AICS indicating that the Internal Control Review supports a modified or unmodified assurance statement. The deadline for uploading Internal Control Review Reports for the RLT member review (identifying modified or unmodified determination) for each fiscal year is July 31.
- (2) **Corrective Action Plan Creation.** A corrective action plan to address, at a minimum, Internal Control Findings is required. The AU manager or regional AU coordinator authoring the Internal Control Review Report must coordinate with appropriate management to identify an appropriate person responsible for the implementation of any required corrective actions. Approvals and the coordination of corrective action plans are at the discretion of each AU manager. The AU manager or regional AU coordinator authoring the Internal Control Review Report must provide a copy of the corrective action plan to their ICC and in the case of reports authored by regional AU coordinators, they must also provide a copy of the corrective action plan to the AU manager.
  - (a) **Corrective Action Plan Content.**
    - (i) Corrective action plans must include, at a minimum, the following:
      - (aa) description of finding and/or recommendation;
      - (bb) responsible official;
      - (cc) proposed corrective actions/preventative actions;
      - (dd) implementation milestones; and
      - (ee) target completion dates.
    - (ii) In cases where program-specific or AU-specific corrective action plan requirements are mandated, those requirements take precedence over this D&S requirement.
  - (b) **Corrective Action Plan Timelines.** Unless a different corrective action plan timeline is documented in a program-specific D&S, the corrective action plan must be uploaded to the AICS by the AU manager or DO/WO ICC as requested, within the following timelines:
    - (i) within 90 calendar days of RLT's approval within the AICS for Internal Control Findings (systemic or significant); or

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- (ii) within 30 calendar days of RLT's approval within the AICS for Internal Control Findings classified as a Material Weakness.
  - (c) **Regional Input.** Where Internal Control Findings have regional implications, the AU manager must provide the appropriate regional program management an opportunity to provide input and comment on the creation of the corrective action plan within the timeline described in Paragraph 5.E.(2)(b).
  - (d) **Corrective Action Plan Implementation.** If a corrective action plan is not implemented as planned, a revised plan with justification must be provided to the AU manager and uploaded into the AICS.
  - (e) **AICS - Documentation<sup>4</sup>.** If an Internal Control Review Report documents an Internal Control Finding, the AU manager or DO/WO ICC as requested, must upload a copy of the associated corrective action plan to the AICS within the requirements expressed in Paragraph 5.E.(2)(b).
- (3) **Programmatic Annual Assurance Statement Process.** Reclamation is required to provide the Department an Annual Assurance Statement on the effectiveness of internal controls as of September 30.
- (a) **Annual Assurance Statement Guidance.** The Programmatic Internal Control Program Manager will facilitate the issuance of annual guidance from the Deputy Commissioner – Policy, Administration and Budget to the RLT for implementation. ICCs will facilitate the process of completing the regional assurance statements for their respective region/office, to include requesting copies of and validating the list of regional Internal Control Reviews being used to support the Annual Assurance Statement.
  - (b) **Annual Assurance Statement Content.** The following elements are required in the Annual Assurance Statement, along with an attached list of reviews:
    - (i) A statement of management's responsibility for establishing and maintaining adequate internal control over programs and operations.
    - (ii) A statement that identifies *OMB Circular A-123 Management's Responsibility for Enterprise Risk Management and Internal Control* as the framework used by management to conduct the assessment of the effectiveness of Reclamation's internal controls.

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<sup>4</sup>New AUs and newly required regional Internal Control Review Reports will have no more than 2 years to make process changes to meet the AICS uploading requirements. For a complete list of AICS documentation requirements refer to Appendix G.

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- (iii) An assessment of the effectiveness of Reclamation's internal controls over operations, stated as either unmodified, modified, or a statement of no assurance as defined in Paragraph 7. The assessment is based on the reviews completed for the individual directorate or region.
- (c) **Internal Control Review Submission.** Reclamation's Annual Assurance Statement will be based on Internal Control Review information (described in Paragraphs 5.E.3.(d)(i)(aa-jj)) submitted by the following positions:
- (i) Director, Policy;
  - (ii) Chief Information Officer, Information Resources Office (IRO);
  - (iii) Director, Security, Safety, and Law Enforcement (SSLE);
  - (iv) Senior Advisor, Hydropower;
  - (v) Dam Safety Officer/Senior Advisor – Design, Estimating and Construction;
  - (vi) Deputy Commissioner Operations (i.e., Internal Control Review Reports submitted by the Public Law 93-638 AU manager);
  - (vii) Deputy Commissioner Policy, Administration and Budget (i.e., Internal Control Review Reports submitted by the Ethics AU manager); and
  - (viii) regional directors from each of Reclamation's regional offices.
- (d) **Annual Assurance Statement Development.**
- (i) **Compiling Reviews.** Each year the Programmatic Internal Control Program Manager must consolidate the review information from each directorate and region. The consolidated list of reviews, as required in Paragraph 5.E.3.(c), forms Attachment 1 of the Annual Assurance Statement. The consolidated review information generally includes the following for each review:
    - (aa) directorate/region performing and receiving the review;
    - (bb) component and AU to which the review is mapped;
    - (cc) review name;
    - (dd) review summary;
    - (ee) review type (Internal Control Review or Alternative Internal Control Review);

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- (ff) review objective;
  - (gg) final report approval date;
  - (hh) if Material Weaknesses were found (yes/no);
  - (ii) if best practices were identified (yes/no); and
  - (jj) modified or unmodified (as identified through the RLT member review).
- (ii) **Submission to Programmatic Senior Assessment Team.** The Programmatic Internal Control Program Manager must provide the consolidated list of reviews, any additional signed programmatic assurance statements, and other information such as progress made on outstanding corrective action plans for Internal Control Findings to the Programmatic Senior Assessment Team, which must review the data and make a recommendation to the Senior Management Council for the Programmatic Internal Control Program's overall Annual Assurance Statement (modified or unmodified).
- (iii) **Submission to Senior Management Council.** The Programmatic Internal Control Program Manager must provide the consolidated list of programmatic reviews and any additional signed programmatic assurance statements to the Senior Management Council along with the modified or unmodified recommendation from the Programmatic Senior Assessment Team. The Senior Management Council will make a final determination of Reclamation's Programmatic Internal Control Program modified or unmodified Annual Assurance Statement status for signature by the Commissioner after reviewing the list of programmatic reviews, signed programmatic Annual Assurance Statements, and the Programmatic Senior Assessment Team's modified or unmodified recommendation. After signature by the Commissioner, the Annual Assurance Statement is transmitted to the Department's Office of Financial Management.
- F. **Step 6 - Monitoring Corrective Actions and Internal Control Review Closure.** RLT members, AU managers, and regional AU coordinators must monitor the status of corrective actions for Material Weaknesses and Internal Control Findings for their appropriate area and ensure they are implemented and closed in a timely manner. The Programmatic Internal Control Manager will keep the Programmatic Senior Assessment Team informed of progress and status on outstanding corrective action plans.

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- (1) **Corrective Action Plan Status Reporting.** AU managers and regional AU coordinators, if applicable, must report quarterly on the progress and status of corrective action plans for Internal Control Findings to the Programmatic Internal Control Program Manager.
  - (a) Each quarter, the Programmatic Internal Control Program Manager will request the following information from AU managers with outstanding corrective action plans:
    - (i) status of implementation milestones (complete, in progress, etc.), and
    - (ii) confirmation of or revisions to the target completion date.
  - (b) The Programmatic Internal Control Program Manager will consolidate the information provided by AU managers into a single report and send it to the Programmatic Senior Assessment Team and ICCs. The ICCs must provide reports on the status of corrective action plans at least annually to their RLT representative.
- (2) **Monitoring and Actions.** The AU manager and appropriate RLT member must use the reporting data to take actions, as necessary, to improve operations and performance. The corrective action plan must be implemented and tracked to completion.
- (3) **Closure.** Unless designated differently by another requirement or D&S, the AU manager or regional AU coordinator, with support of the ICC, must develop a closure memorandum or statement certifying the corrective action plan has been implemented and all Internal Control Findings and Material Weaknesses have been addressed. Regional AU coordinators must provide their regional ICC a copy of the final memorandum or statement. AU managers refer to Paragraph 5.F.(4) for next steps.
- (4) **AICS Documentation<sup>5</sup>.** The AU manager, or DO/WO ICC as requested, must upload the memorandum or statement, along with evidence of completion, to the AICS before the review can be closed out in the system.

## 6. Appendices.

- A. **Appendix A.** Memorandum: *Realignment of the Internal Control Program*, dated March 19, 2014.
- B. **Appendix B.** List of Acronyms.

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<sup>5</sup>New AUs and newly required regional Internal Control Review Reports will have no more than 2 years to make process changes to meet the AICS uploading requirements. For a complete list of AICS documentation requirements refer to Appendix G.

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- C. **Appendix C.** Internal Control Cycle.
  - D. **Appendix D.** Programmatic Internal Control Program Process Flowchart.
  - E. **Appendix E.** Findings Flowchart/Matrix.
  - F. **Appendix F.** Programmatic Internal Control Program Oversight Structure.
  - G. **Appendix G.** AICS Documentation.
7. **Definitions.**
- A. **Alternative Internal Control Review.** An audit, review, assessment, evaluation, or inspection that is conducted by an external source (i.e., outside of Reclamation). Alternative Internal Control Reviews accomplish many of the same goals as Internal Control Reviews. Examples of external sources include the Office of Inspector General, Government Accountability Office, or an independent contracted auditor.
  - B. **Annual Assurance Statement.** A statement submitted by the Commissioner to the Department of the Interior each fiscal year on the overall adequacy and effectiveness of Reclamation's internal controls related to operations, reporting, and compliance.
    - (1) **Reasonable Assurance.** The determination based on the review of data that the internal controls in place can anticipate, highlight, and resolve programmatic and internal control problems or risks. Reasonable assurance is a high degree of confidence, but not absolute confidence.
      - (a) **Modified.** The characterization of a statement of assurance that is used to reflect the presence of one or more Material Weaknesses.
      - (b) **Unmodified.** The characterization of a statement of assurance that is used to reflect reasonable assurance that internal controls are effective and implemented properly (i.e. no Material Weaknesses were identified).
    - (2) **Statement of No Assurance.** The characterization of a statement of assurance that indicates no assessment process is in place or noted Material Weaknesses were widespread; Reclamation is unable to provide reasonable assurance over its internal controls.
  - C. **Assessable Unit.** An assessable unit is a critical program, activity, or functional subdivision of a Component that is significant to Reclamation's mission. Each AU has a direct role in managing or achieving a Reclamation objective, goal, or mission (e.g., water delivery and compliance).

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- D. **Assessable Unit Managers.** The AU manager position is typically directly involved in the management of a critical program, activity, or functional subdivision of Reclamation's mission and generally sits within Reclamation's Denver or Washington offices.
- E. **Automated Internal Control System.** A database software application used to house and maintain internal control information, including programmatic reports, audits, evaluations, and reviews with findings and recommendations (e.g., Reclamation Internal Control Information (RICI) System).
- F. **Best Practice.** A process or method identified during a review that has produced improved performance and/or outstanding results, which could be adopted to improve the effectiveness of operations across Reclamation.
- G. **Component.** Reclamation's overarching programs (highly visible), organizations, or administrative activities or functions that flow from and are linked to Reclamation's entity-wide objectives, budget, and goals. Examples of components include Asset Management, Information Technology, and Human Capital Management. AUs fall under Components. For the current list of components, request the Component Inventory from the Programmatic Internal Control Program Manager.
- H. **Component Inventory.** A list of components requiring a system of internal controls. The Component Inventory includes a list of the AUs associated with each component.
- I. **Corrective Action Plan.** A document that outlines steps that will be taken to correct or address an Internal Control Finding identified in an Internal Control Review or Alternative Internal Control Review.
- J. **Entity Level Questionnaire.** Annual<sup>6</sup> survey tool that captures Reclamation leadership's systematic efforts toward effectively implementing the 17 principles of Internal Control, as outline in the Government Accountability Office's *Standards for Internal Control in the Federal Government*.
- K. **Finding.** A finding occurs when the reviewer identifies an event that does not conform or comply with a documented internal control or the reviewer identifies a risk and no controls have been put in place to mitigate or reduce the risk. For example, if a reviewer identifies occasions when proper approval was not received, as required by a Reclamation Manual release, the reviewer has identified a finding. Findings can be categorized into the following: Program-specific, Internal Control Finding (systemic or significant), and/or Material Weakness (see Appendix E). Subparagraphs below are listed in order of severity from least severe to most severe.

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<sup>6</sup>For the purposes of this D&S, when referring to a task or deliverable that is performed annually, the task or deliverable is completed or submitted once within a 12-month period. The specific annual due dates are contingent upon guidance that is provided by the Department every year.

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- (1) **Program-Specific Finding.** The characterization of a finding that is not an Internal Control Finding (systemic or significant) or a Material Weakness. Program-specific findings are labeled, tracked, corrected, and reported using AU-specific requirements. Program-specific findings cannot be considered a Material Weakness. If the severity of the finding rises to being material, then the finding must be categorized as being an Internal Control Finding.
  - (2) **Internal Control Findings.** A category or level of a finding that indicates the systemic or significant ineffectiveness or improper implementation of internal controls. Internal Control Findings are usually systemic issues that have been observed through several audits or Internal Control Reviews; however, Internal Control Findings may also include singular significant findings at the discretion of the AU manager. Paragraphs (a) and (b) identify the two types of Internal Control Findings; however, one is not considered more severe than the other.
    - (a) **Significant Finding.** A type of Internal Control Finding documented within an Internal Control Review that is considered a substantial or important enough finding that when considered on its own, poses a significant risk to Reclamation. Significant findings could potentially only be found within one review of a region, area office, or facility, but given the severity of the stand-alone issue, require a corrective action plan. A significant finding must be evaluated to determine whether it rises to the level of a Material Weakness (see Paragraph 7.K.(3)).
    - (b) **Systemic Finding.** A type of Internal Control Finding within an Internal Control Review that indicates a broad or overarching issue or deficiency that is found to be common across most, or all, of the regions, facilities, or area offices that were reviewed. A systemic finding could also include recurring findings (i.e., the same finding year-after-year). Typically, systemic findings are identified through data analysis or observation of multiple Internal Control Reviews. A systemic finding must be evaluated to determine whether it rises to the level of a Material Weakness (see Paragraph 7.K.(3)).
  - (3) **Material Weakness.** An Internal Control Finding or combination of Internal Control Findings found within an Internal Control Review that in management's opinion, could lead to fraud, waste, abuse, mismanagement of government resources, failure to follow laws/regulations, uncontrolled safety hazards, compromised decision making, or impact achievement of essential operations or mission that is significant enough to be reported to the Department.
- L. **Integrated Risk Rating Tool.** The IRRT is a management evaluation, inquiry, and survey tool designed to capture risk and internal control information across a variety of operational risk categories within each AU.

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- M. **Internal Control.** Specific actions taken to mitigate inherent risk and to accomplish organizational objectives, safeguard assets, and comply with laws and regulations in an effective manner. Internal control activities include policies, procedures, physical controls (limited access to equipment and facilities), authorizations, and various other mechanisms to help provide reasonable assurance that programs achieve their intended results.
- N. **Internal Control and Audit Follow-up Handbook.** The Department's ICAF Handbook defines how bureaus and offices within the Department implement internal control aspects of *OMB Circular A-123*.
- O. **Internal Control Review.** An assessment or evaluation of internal controls conducted by Reclamation staff (e.g., AU manager, subject matter expert(s)). At the discretion of the AU manager, Internal Control Reviews may be a summary level report that synthesize findings from reviews performed throughout a single year or over a multiple-year cycle, or an individual review conducted by Reclamation.
- P. **Programmatic Senior Assessment Team.** The Programmatic Senior Assessment Team is composed of managers from program offices responsible for programmatic assessable units. Membership is determined by the Senior Management Council and outlined in the Programmatic Senior Assessment Team charter. The Programmatic Senior Assessment Team serves as an advisory body to the Senior Management Council for the Programmatic Internal Control Program.
- Q. **Reclamation Programmatic Internal Control Program Manager.** The Reclamation Programmatic Internal Control Program Manager position is located within Policy. The Programmatic Internal Control Program Manager coordinates the Programmatic Internal Control Program by providing oversight of all Reclamation Programmatic Internal Control Program activities.
- R. **Regional AU Coordinator.** The regional AU coordinator positions are positions responsible for overseeing, implementing, reviewing, and/or reporting on internal controls for AUs applicable to the region's activities and operations. Regional AU coordinators include positions such as regional power managers; design, estimating and construction regional coordinators; and regional operation and maintenance managers.
- S. **Risk.** The likelihood of an adverse event or circumstance occurring, and the relative impact or consequence caused by that event or circumstance.
- (1) **Inherent Risk.** The possibility of an event or circumstance that exists in an environment, which in the absence of internal controls or mitigating factors, could negatively impact the ability to achieve missions or objectives. Based on the nature of the activity, program, or project, inherent risk may include the risk of waste, abuse, loss, mismanagement, unauthorized use, misappropriation, physical/environmental damage, or loss of human life.

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- (2) **Residual Risk.** The risk that remains after management's response to inherent risk through properly designed and implemented internal controls.
  
- T. **Senior Management Council.** The Senior Management Council is composed of the Deputy Commissioner, Operations and the Deputy Commissioner, Policy, Administration and Budget. The Senior Management Council provides senior-level oversight of Reclamation's Programmatic Internal Control Program activities.
  
- 8. **Review Period.** This release will undergo review every 4 years.

## RECLAMATION MANUAL TRANSMITTAL SHEET

Effective Date: \_\_\_\_\_

Release No. \_\_\_\_\_

Ensure all employees needing this information are provided a copy of this release.

### Reclamation Manual Release Number and Subject

### Summary of Changes

NOTE: This Reclamation Manual release applies to all Reclamation employees. When an exclusive bargaining unit exists, changes to this release may be subject to the provisions of collective bargaining agreements.

### Filing instructions

Remove Sheets

Insert Sheets

All Reclamation Manual releases are available at <http://www.usbr.gov/recman/>

Filed by: \_\_\_\_\_

Date: \_\_\_\_\_