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**Financial Management**

**MANAGEMENT CONTROL PROGRAM**

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The Department of Defense (DoD) supports the government commitment to responsible use of resources. Air Force organizations must use cost-effective management controls to fulfill that commitment, comply with public law, and ensure that resources are used properly and to best advantage in accomplishing their assigned operations and missions.

**SUMMARY OF REVISIONS**

This revision changes the title of subject Directive from *Internal Management Controls* to *Management Control Program*; requires the annual evaluation of vital management controls; and encourages program implementation that relies on existing sources of evaluation. A | indicates revisions from the previous edition.

1. Management controls will be used in all Air Force activities including Special Access Programs. They will be applied to all significant operation and mission responsibilities and not limited to financial matters.
2. Commanders and managers at every level of the Air Force are responsible for establishing, evaluating, improving, and reporting on management controls.
  - 2.1. The management control (MC) evaluation process should be integrated into the daily management practices of Air Force managers. At the commander's option, it may rely on various existing organizationally required and other contributing sources.
  - 2.2. MC program evaluations should not cause the duplication of existing information which pertains to assessing the effectiveness of management controls or information which may be used for that purpose.
  - 2.3. Whenever existing information does not provide for adequate review of management controls, then appropriate reviews should be planned to enable management to make reasonable judgments regarding the effectiveness of management controls.

2.4. Continuous monitoring of vital management controls and other periodic evaluations should provide the basis for the annual statement regarding reasonable assurance.

3. The following responsibilities and authorities are assigned:

3.1. The Assistant Secretary of the Air Force, Financial Management and Comptroller (SAF/FM), is responsible for ensuring that the evaluation, improvement, and reporting on the Air Force management control system meets the requirements of law and DoD directives.

3.2. Secretariat and Air Staff offices, major commands, the National Guard Bureau, and direct reporting units are designated primary reporting elements of the Air Force Management Control Program. The heads of these organizations will:

3.2.1. Carry out an ongoing comprehensive management control program.

3.2.2. Prepare a management control plan.

3.2.3. Sign a statement annually certifying that there is reasonable assurance to believe the objectives of the MC program were met. The certification is based primarily on the status of vital management controls. The statement will also disclose material weaknesses identified during the evaluation process and include plans for corrective action. These statements serve as the collective basis for the Secretary of the Air Force Annual Statement of Assurance to the Secretary of Defense.

3.3. Field operating agency (FOA) implementation and reporting on the MC program are included in the annual statement of the appropriate Secretariat or Air Staff office having oversight responsibility of the FOA.

4. The terms used in this policy are:

4.1. **Management Controls.** A system of guidance, instructions, regulations, procedures, rules or other organization instructions intended to determine the methods to be employed to carry out mission or operational actions or objectives, and ensure that programs achieve intended results. The term "management control" applies to all Air Force activities.

4.2. **Management Control Evaluation.** A review performed of an assessable unit to determine whether management control techniques exist and are effectively implemented to accomplish administrative, operational and mission objectives.

4.3. **Management Control Plan (MCP).** A written plan (updated annually) that details the inventory of assessable units throughout the organization along with the progress toward accomplishment of scheduled management control evaluations. It need not be lengthy and any format may be used so long as it conveys, with a reasonable certainty, the completion of required program activity.

4.4. **Material Weakness.** A determination by management that a condition exists (of sufficient importance to be reported to the next higher level of command) in which the designated control procedures or the degree of operational compliance therewith does not provide reasonable assurance that the objectives of the MC program are being accomplished.

4.5. **Reasonable Assurance.** A judgment, based upon an evaluation of all available information, that the organization's systems of management control are operating in a manner that achieves the

objectives of Public Law 97-255, *Federal Managers' Financial Integrity Act of 1982*, September 8, 1982.

4.6. **Vital Management Controls.** Those management controls which are most important to the accomplishment of the mission, and for which noncompliance would require disclosure to more senior management.

5. This policy directive implements P.L. 97-255; Office of Management and Budget Circular A-123, *Management Accountability and Control*, revised June 21, 1995; and DoD Directive 5010.38, *Management Control Program*, revised August 26, 1996.

6. Guidance for compliance, instructions and reporting requirements are specified in AFI 65-201, *Management Control Program*.

7. See **Attachment 1** for the measures used to comply with this policy.

ROBERT F. HALE  
The Assistant Secretary of the Air Force  
for Financial Management and Comptroller

## Attachment 1

### MEASURING AND DISPLAYING COMPLIANCE WITH POLICY

**A1.1.** Compliance with Air Force MC policy will be assessed by measuring the performance of MC evaluations scheduled in the MCP and the correction of management control weaknesses.

A1.1.1. MC Evaluations. The policy to evaluate management controls will be assessed by comparing the number of MC evaluations performed to the number forecast for the fiscal year (**Figure A1.1.**)

A1.1.2. Management Control Weaknesses. The policy to correct management control weaknesses will be assessed by comparing the number of weaknesses corrected to the number forecast for the fiscal year (**Figure A1.2.**)

**A1.2.** Measurement data will be provided to SAF/FMPI as part of the annual statement required of all Secretariat, Air Staff, MAJCOM, NGB, and DRU primary reporting elements.

**A1.3.** Analysis will focus on trends indicated by the number of alternative review sources, and management control reviews (MCR) completed as compared to the number scheduled in the MCP.

Figure A1.1. Sample Metric of Management Control Evaluations.

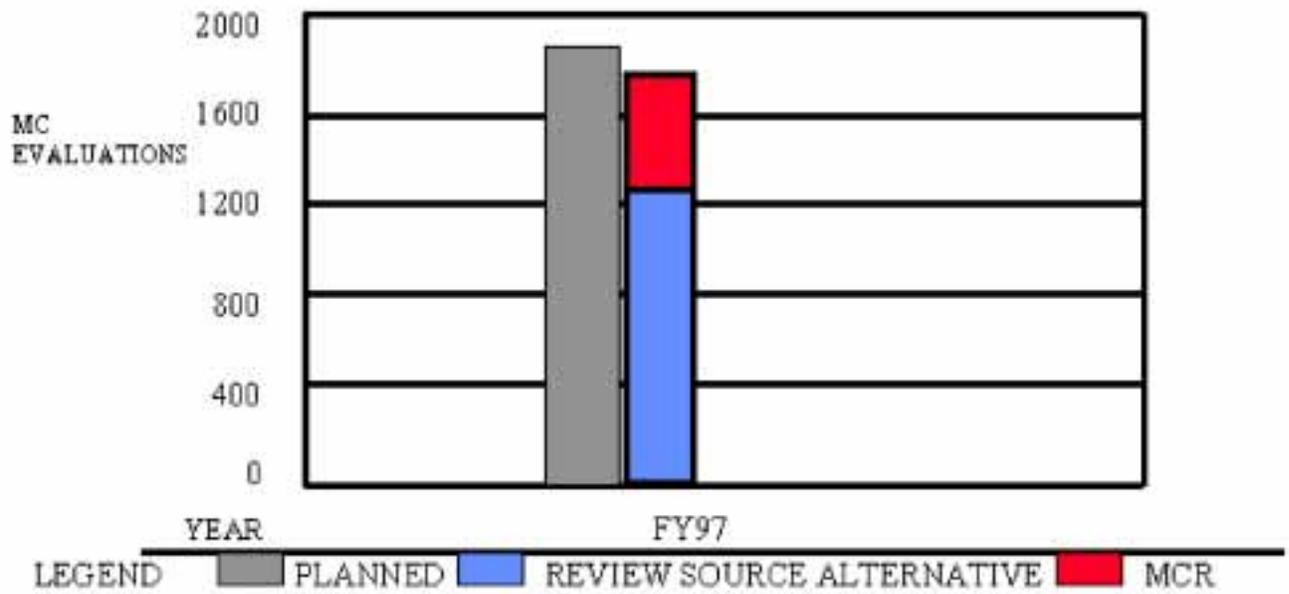


Figure A1.2. Sample Metric of Management Control Weaknesses.

