

CHAPTER 1. MANAGEMENT CONTROL PROGRAM OVERVIEW

- 1-1 **Purpose.** This chapter summarizes the operation of the Management Control Program established by the Department of Housing and Urban Development (HUD) to comply with the provisions of the Federal Managers' Financial Integrity Act (FMFIA) of 1982 (see Appendix 2), the Office of Management and Budget's (OMB's) Circular, A-123, Management Accountability and Control (see Appendix 3), and OMB Circular, A-127, Financial Management Systems (see Appendix 4).
- 1-2 **Policy.** The Department will establish and maintain a cost-effective system of management controls to provide reasonable assurance that programs and activities are effectively and efficiently managed and to protect against fraud, waste, abuse and mismanagement. Implementation of the Management Control Program will carry out this policy.
- 1-3 **Management Control Program.**
- A. Management controls are policies and procedures adopted by managers to ensure that program objectives are efficiently and effectively accomplished within planned timeframes, within budgetary limitations and with the intended quality and quantity of output. The Management Control Program provides a methodology for managers to:
1. Systematically assess the susceptibility of their program or activity to the risk of fraud, waste, abuse or mismanagement;
 2. Conduct evaluations of the effectiveness of their management controls;
 3. Identify actions and resources needed to correct weaknesses;
 4. Maintain quality control over the program; and
 5. Provide an early warning capability to alert senior management of potential or emerging problems.

It also provides a basis for the Secretary to report annually to the President and the Congress, as required by the FMFIA, on the adequacy of management controls within the Department.

- B. The Management Control Program consists of the following steps:
1. Identifying Functional Areas. Each Primary Organization Head (POH) (see Exhibit 1-1) should segment programs, functions, and activities into functional areas for review.
 2. Risk Assessment. POHs and their managers must review the activities or group of activities in the functional areas to determine susceptibility to losses which would result if effective management controls are not in place. Also, front-end risk assessments (FERAs) are to be performed for new or significantly revised programs or administrative functions (see Chapter 8). Chapter 2 provides further details on risk assessments to be performed to provide reasonable assurance certification for the FMFIA process.

3. Evaluating Management Controls (MC). Managers must evaluate, on a regular basis, the effectiveness of controls in their operations. While various methods may be used to evaluate controls, careful planning, execution, documentation, and reporting are required.
 4. Implementing Corrective Actions. Managers must promptly implement improved management controls as soon as weaknesses are disclosed. Managers may become aware of weaknesses through special risk management reviews, evaluation of management controls, and the Office of Inspector General (OIG) or General Accounting Office (GAO) audits.
 5. Reporting on Adequacy of Management Controls. POHs must prepare an annual report, as of the close of the fiscal year, to the Secretary (through the CFO) for inclusion in the Secretary's FMFIA Certification to the President and the Congress. Managers and supervisors should complete Exhibit 2-1 to assist POHs in this process. The annual certification to the Secretary shall consist of a statement on the adequacy of management controls in the organization, identifying and describing known material weaknesses in management controls, and summarizing corrective actions planned and in process. Further information on the reporting process is included in Chapter 5.
 6. Maintaining Quality Control. POHs and their managers must take active steps to maintain effective quality control over the program to ensure that evaluations and planned corrective actions are completed and effective. Quality control is discussed in Chapter 6.
- C. The specific deadlines for various activities under the Management Control Program will vary from year to year. For planning purposes, a summary of key dates is shown in Exhibit 1-2.
- D. Implementation of the Management Control Program requires involvement by managers and supervisors at all levels. All managers and supervisors are responsible for ensuring that adequate management controls exist so that activities under their control are conducted in an effective and efficient manner. Major roles and responsibilities are as follows:
1. The Secretary has overall responsibility for the implementation of the Department's Management Control Program.
 2. The Chief Financial Officer has the responsibility and accountability to manage and oversee the Department's Management Control Program to include maintenance of the Department's Risk Management Database and the submission of the annual FMFIA Report to the President and the Congress. This responsibility includes the development of policies and procedures to be utilized throughout the Department to ensure consistent application of the development of an effective monitoring program and the development and execution of a comprehensive training program covering all elements of HUD. The CFO has responsibility for addressing crosscutting Departmental issues, i.e., matters involving more than one POH.

3. The Inspector General (IG), may provide advice to the Secretary on the compliance of the program with applicable requirements, as well as, provide technical assistance and consultation to the program effort. In addition, the IG conducts audits which may include the review of and reporting on the adequacy of the management control program.
4. POHs are responsible for program implementation in their respective functional areas. This includes the designation of Management Control Coordinators (MCCs), evaluation of management controls, implementation of corrective actions, reporting, quality control, and assuring that accountability for management controls is built into all performance evaluation systems (EPPES/EPAS).
5. Management Control Coordinators (MCCs) are responsible for tracking findings made pursuant to risk management control reviews or alternative control reviews, providing training to program managers on the risk management control process and other risk management control activities assigned by the POHs.
6. Managers and Supervisors are responsible for conducting evaluations, coordinating with MCCs, implementing and monitoring corrective actions, reporting the status of risk management controls in their organizations, and participating in the quality control process.

1-4 **Applicability.** The Management Control Program is applicable to all Departmental programs, activities, and functions.

Exhibit 1-1

**Management Control Program's
Primary Organization Heads**

Assistant Secretary for Housing - Federal Housing Commissioner

Assistant Secretary for Public and Indian Housing

Assistant Secretary for Community and Planning Development

Assistant Secretary for Administration

President, Government National Mortgage Association

Assistant Secretary for Fair Housing and Equal Opportunity

Assistant Secretary for Policy Development and Research

General Counsel

Chief Financial Officer

Chief Procurement Officer

Chief Information Officer

Director, Lead Hazard Control

Director, Office of Departmental Operations and Coordination

Director, Office of Federal Housing Enterprise Oversight

Director, Troubled Agency Recovery Center

Director, Enforcement Center

Director, Real Estate Assessment Center

Exhibit 1-2

Management Control Program Annual Schedule

Annual Assurance Statements Submitted by POH	Last week of November
Department's FMFIA Report Submitted to Secretary	First week of December
Management Reviews	Continuous
Management Control Evaluations	Continuous
CFO Special Risk Management Reviews	Continuous
Corrective Action Implementation	Continuous
Corrective Action Verification and Review	Continuous