

Department of the Interior Bureau of Ocean Energy Management Manual

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Series: Administrative

Part 340: Management Accountability and Control

Chapter 2: Internal Control Program

Office of Primary Responsibility: Office of Budget and Administration

BOEMM 340.2

2.1 **Purpose.** This manual chapter establishes the Bureau of Ocean Energy Management (BOEM) Internal Control Program (ICP). Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. The Office of Management and Budget (OMB) requires agencies to integrate risk management and internal control functions. This policy also provides guidance and sets forth requirements for the bureau to plan, budget, implement, and use results of both risk and internal control assessments as an element of evidence-based decision making.

2.2 **Scope.** This manual chapter applies to all BOEM employees and offices.

2.3 **Objective.** This chapter identifies responsibilities and procedures for the bureau's internal control system.

2.4 **Authority.**

A. 31 U.S.C. Chapter 9 (901-903), "Agency Chief Financial Officers," 9105 "Audits," and 9106, "Management Reports," also known as the "Chief Financial Officers Act."

B. 31 U.S.C. 3512, "Executive agency accounting and other financial management reports and plans," and 3515, "Financial statements of agencies," also known as the "Federal Managers' Financial Integrity Act."

C. OMB Circular No. A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control."

D. OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget."

E. OMB Circular No. A-130, "Management of Federal Information Resources."

F. Government Accountability Office (GAO-14-704G), "Standards for Internal Control in the Federal Government," also known as the "Green Book."

G. 112 Departmental Manual (DM) 8, “Office of Financial Management.”

H. 112 DM 9, “Office of Planning and Performance Management.”

2.5 Reference.

A. GAO-15-593SP, “A Framework for Managing Fraud Risks in Federal Programs.”

B. GAO-21-404SP, “Program Evaluation: Key Terms and Concepts.”

C. [Department of the Interior \(DOI\) Financial Management Handbook.](#)

E. [DOI Internal Control Workgroup \(ICWG\) Charter.](#)

G. BOEM Manual (BOEMM) 340.1, “Enterprise Risk Management.”

H. BOEMM 361.1, “Audit Follow Up.”

2.6 Definitions.

A. Annual Assurance Statement. Represents the Secretary of the Interior’s or the bureau/office head’s informed judgment as to the overall adequacy and effectiveness of internal controls within the agency, bureau, or office related to operations, reporting, and compliance.

B. Contingency Plans. The processes defined to address an entity’s need to respond to sudden personnel changes that could compromise the internal control system. Management defines contingency plans for assigning responsibilities if a key role in the entity is vacated without advance notice.

C. Control Deficiency. Exists when the design, implementation, or operation of a control does not allow management or personnel, in the normal course of performing their assigned functions, to achieve control objectives and address related risks.

D. Control Objective. The aim or purpose of specified controls; control objectives address the risks related to achieving an entity’s objectives.

E. Component. One of the five required elements of internal control. The internal control components are Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

(1) Control Environment. The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

(2) Risk Assessment. Assesses the risks facing the entity as it seeks to

achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

(3) **Control Activities.** The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.

(4) **Information and Communication.** The quality information management and personnel communicate and use to support the internal control system.

(5) **Monitoring.** Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

F. **Deficiency in Design.** Exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met.

G. **Deficiency in Implementation.** Exists when a properly designed control is not implemented correctly in the internal control system.

H. **Deficiency in Operation.** Exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

I. **Detective Control.** An activity that is designed to discover when an entity is not achieving an objective or addressing a risk before the entity's operation has concluded and corrects the actions so that the entity achieves the objective or addresses the risk.

J. **Entity-Level Controls.** Controls that have a pervasive effect on an entity's internal control system; entity-level controls may include controls related to the entity's risk assessment process, control environment, service organizations, management override, and monitoring.

K. **Fraud.** Involves obtaining something of value through willful misrepresentation.

L. **Key Controls.** The controls that are most important to monitor in order to support a conclusion about an entity's ability to manage or mitigate meaningful risks; they often have one or both of the following characteristics:

(1) Their failure could materially affect an entity's objectives, but might not be detected in a timely manner by other controls, and/or

(2) Their operation might prevent other control failures or detect such failures before they have an opportunity to become material to the entity's objectives.

- M. Internal Control. A process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.
- N. Internal Control Review. Continuous monitoring or periodic, risk-based, or other targeted assessment designed to improve the effectiveness of internal control to achieve objectives and respond to risk.
- O. Internal Control System. A continuous built-in component of operations, effected by people, that provides reasonable assurance—not absolute assurance—that an entity's objectives will be achieved.
- P. Material Weakness. A significant deficiency that the agency head determines to be significant enough to report outside of the agency as a material weakness. In the context of the GAO Green Book, non-achievement of a relevant principle and related component results in a material weakness. BOEM would be expected to report material weaknesses to the Department as soon as they are detected and prepare a Corrective Action Plan (CAP).
- Q. Oversight Body. Those responsible for overseeing management's design, implementation, and operation of an internal control system.
- R. Preventive Control. An activity that is designed to prevent an entity from failing to achieve an objective or addressing a risk.
- S. Process Evaluation. Often used for formative purposes, an evaluation that assesses the extent to which essential program elements are in place and conform to statutory and regulatory requirements, program design, professional standards, or customer expectations.
- T. Program Evaluation. An assessment using systematic data collection and analysis of one or more programs, policies, and organizations intended to assess their effectiveness and efficiency.
- U. Reasonable Assurance. A high degree of confidence, but not absolute confidence.
- V. Service Organization. An external party that performs operational process(es) for an entity.
- W. Significant Deficiency. A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. In BOEM, this means that the issues are elevated to senior leadership and that BOEM would be expected to report these to the Department and prepare a CAP.
- X. Succession Plans. The processes that address an entity's need to replace competent personnel over the long term.

2.7 Policy. It is the policy of BOEM to design, implement, assess, document changes to, and remediate limitations or deficiencies timely, and report on the bureau's internal control system to support the bureau's and the Secretary's annual assurance statement and the DOI Agency Financial Report. BOEM must rely on a combination of risk and internal controls assessment and assessments conducted by other entities for planning and evidence-based decision-making, and reporting ICP information internally and to DOI.

2.8 Responsibilities.

A. Director.

- (1) Establishes and maintains BOEM's internal control system and program.
- (2) Allocates adequate resources to evaluate the bureau's internal control system.
- (3) Delegates responsibility to develop procedures, documentation, training, and reporting requirements necessary to review, establish, maintain, test, improve, and report on control systems within their bureau programs and operations.
- (4) Reports to the Department's Enterprise Risk Management Council, in consultation with the Assistant Secretary-Land and Minerals Management (ASLM), control deficiencies identified in audit reports, internal reviews, and from other sources that have the potential of meeting the Departmental material weakness criteria.
- (5) Ensures timely correction and validation of all identified program and operational deficiencies whether material and/or nonmaterial.
- (6) Approves/signs the bureau's annual assurance statement on Information Technology (IT).
- (7) Approves/signs, along with the ASLM, the bureau's annual assurance statement on internal control.
- (8) Ensures internal control guidelines issued by Departmental offices are implemented.

B. Deputy Director.

- (1) Approves the BOEM governance charter that covers Enterprise Risk Management (ERM), internal controls, and audit follow-up in consultation with members of the governance body.
- (2) Chairs the BOEM governance body over ERM, internal controls, and audit follow-up.

(3) Determines annually which programs, processes, or administrative functions should be subject to a formal review in order to supplement management's judgment as to the adequacy of internal control.

(4) Approves/signs the bureau's entity level assessment attesting to the bureau's implementation and effectiveness of OMB Circular No. A-123 standards and principles; Internal Control Review (ICR) team and project charters, reports and CAPs, and closure requests; and the Directorate's annual assurance statement on internal control.

(5) Consults on, reviews, and surnames the bureau's annual assurance statements on IT and internal control.

C. Associate Director, Office of Budget and Administration (OBA).

(1) Consults on, reviews, and approves/signs on an annual basis reimbursable support agreements with the Bureau of Safety and Environmental Enforcement and the Department, with those entities serving as the service organization and covering various administrative functions including IT.

(2) Consults on, reviews, and surnames the BOEM governance charter that covers ERM, internal controls, and audit follow-up.

(3) Serves as the Executive Director for the BOEM governance body that covers ERM, internal controls, and audit follow-up.

(4) Assigns staff to BOEM working group that covers ERM, internal controls, and audit follow-up.

(5) Approves/signs BOEM annual ERM and ICP Guidance.

(6) Consults on, reviews, and surnames the bureau's entity-level assessment attesting to the bureau's implementation and effectiveness of OMB Circular No. A-123 standards and principles; ICR team and project charters, reports and CAPs, and closure requests; the Directorate's annual assurance statement on internal control and the bureau's annual assurance statements on IT and internal control.

D. Branch Supervisor, Administration and Compliance, OBA.

(1) Supervises the Internal Control Program Manager.

(2) Serves as the project coordinator on an annual basis for the administrative reimbursable support agreements with service organizations (including for internal controls testing and reporting for administrative functions).

(3) Consults on, reviews, and surnames revisions to the BOEM governance charter and related meetings that cover ERM, internal controls, and audit follow-up.

(4) Consults on, reviews, and summarizes the bureau's entity-level assessment attesting to the bureau's implementation and effectiveness of OMB Circular A-123 standards and principles; ICR team and project charters, reports and CAPs, and closure requests; the Directorate's and the bureau's annual assurance statements on internal control.

E. Internal Control Program Manager.

(1) Represents BOEM at Departmental or interagency A-123 or ICP meetings.

(2) Consults and reviews on an annual basis the administrative reimbursable support agreements with service organizations (including for internal controls testing and reporting for administrative functions).

(3) Obtains leadership approval for the BOEM governance charter that covers ERM, internal controls, and audit follow-up.

(4) Provides staff support for the BOEM governance body that covers ERM, internal controls, and audit follow-up. This includes organizing meetings, providing briefing materials, operating voting processes, and documenting discussions and decisions at these meetings.

(5) Serves as a liaison to other BOEM management teams to coordinate and document special projects assigned as risk treatments in alignment with BOEM risk appetite (as defined in BOEMM 340.1).

(6) Serves as Chair of the BOEM working group that covers ERM, internal controls, and audit follow-up.

(7) Develops, signs, and issues BOEM annual ERM and ICP Guidance.

(8) Develops and delivers broad- and role-based ERM and ICP training.

(9) Coordinates with the BOEM working group that covers ERM, internal controls, and audit follow-up; and other functional area leads, and obtains leadership approval for the bureau's entity-level assessment attesting to the bureau's implementation and effectiveness of OMB Circular A-123 standards and principles and the bureau's annual assurance statement on internal control.

(10) Scopes, develops, summarizes, and obtains leadership approval for ICR team and project charters.

(11) Develops, summarizes, and obtains leadership support for ICR reports and CAPs.

(12) Prepares memos for the Director's signature to accompany ICR reports and CAPs that document significant deficiencies or material weaknesses and which are submitted to the Department.

(13) Monitors open ICR recommendations and coordinates plans to close recommendations with responsible offices.

(14) Consults on, reviews, and summarizes ICR recommendation closure requests.

(15) Coordinates with Directorate offices and obtains the Deputy Director's approval for the Directorate's annual assurance statement on internal control.

(16) Obtains copies of and incorporates information from the bureau's annual assurance statement on IT and results from ICRs conducted by service organizations on BOEM's behalf into the bureau's annual assurance statement on internal control.

(17) Maintains all ERM and ICP records in a central location.

F. Audit Liaison Officer (ALO).

(1) Consults on the BOEM governance charter that covers ERM, internal controls, and audit follow-up; and on broad- and role-based ERM and ICP training.

(2) Provides staff support for the BOEM governance body that covers ERM, internal controls, and audit follow-up.

(3) Serves as member of BOEM working group that covers ERM, internal controls, and audit follow-up.

(4) Consults on, reviews, and summarizes BOEM annual ERM and ICP Guidance; the Directorate/bureau's annual assurance statement on internal control; and ICR team and project charters, reports, and CAPs, especially as they pertain to findings or recommendations from external audits.

G. Associate Directors, Office Directors, and Regional Directors.

(1) Consult on revisions to the BOEM governance charter that covers ERM, internal controls, and audit follow-up.

(2) Serve as members of the BOEM governance body that covers ERM, internal controls, and audit follow-up.

(3) Assign staff to serve on the BOEM working group that covers ERM, internal controls, and audit follow-up.

(4) Serve as Risk Owners accountable for assigning resources to treat or mitigate BOEM risks identified through appropriate governance and analytical processes.

(5) Consult on, assign appropriate staff to, review, and surname ICR team and project charters that relate to internal controls for their office functions.

(6) Consult on, review, and surname ICR reports and CAPs that relate to internal controls for their office functions; ICR closure requests for recommendations assigned to their office; and their office's annual assurance statement on internal control.

(7) Assign resources to implement ICR recommendations assigned to their Directorate, Program or Regional Office.

H. BOEM Working Group (that covers ERM, internal controls, and audit follow-up).

(1) Provide input on draft ERM, ICP, and audit follow-up directives, guidance and training materials.

(2) Attend and participate in Working Group meetings organized by the ERM/ICP Lead (Working Group Chair).

(3) Attend governance body meetings organized by the ERM/ICP Lead and the Director's Office as presenters, voting proxies, or subject matter experts (SMEs).

(4) Consult on and contribute information to BOEM's ERM Risk Register (at least quarterly) and other annual risk assessments.

(5) Consult on the scope and frequency of BOEM risk treatments (in the form of internal reviews or evaluations).

(6) Consult on and help develop, along with other SMEs, evidence to support closure requests for external audits and internal reviews.

(7) Participate in ERM, ICP, and audit follow-up training offered or promoted by DOI and BOEM. Integrate training and guidance into office work plans.

(8) Coordinate, prepare, and submit the office-level annual assurance statements on internal control to OBA and provide additional updates for the bureau's annual assurance statement on internal control.

2.9 Procedures. Departmental directives and governance charters establish the framework for ICP while Departmental annual guidance establishes goals, requirements, and timelines.

A. When completing annual organizational assessments on the implementation of OMB No. A-123 control standards and the GAO Green Book, BOEM offices must contribute

examples, provide input on ratings, and provide supporting evidence as requested by the ERM/ICP Program Manager.

B. When planning internal reviews to treat risks and control deficiencies, BOEM offices must consider the BOEM risk appetite and risk tolerance, frequency and recency of reviews (including external reviews or audits), reviews prescribed in DOI annual directives, external stakeholder feedback, and available resources to conduct new reviews.

C. When designing CAPs for BOEM reviews, BOEM offices must prioritize and appropriately assign corrective actions based on BOEM delegations of authority, available resources, and opportunities to treat multiple related risks and correct deficiencies within a similar timeframe.

D. BOEM offices must regularly monitor and communicate the status of all corrective actions from internal and external reviews. BOEM responsible offices should emphasize timely implementation to maximize the impact of the corrective actions.

E. When preparing closure requests for BOEM review, CAP recommendations or corrective actions, BOEM offices must work with SMEs and internal control coordinators (e.g. relevant members of the BOEM working group that covers ERM, internal controls, and audit follow-up) to identify relevant actions taken, dates actions were completed and prepare and present evidence of implementation. If the recommendations cannot be implemented as originally described in the CAP, then the responsible BOEM office must prepare and present a justification for an alternative action or cite a reason that that recommendation is unactionable.

F. When preparing BOEM office annual assurance statements on internal control, BOEM offices should include all reviews they conducted or supported relating to their programs or functions, providing a brief description for each review, the date completed or status, and conclusions.

G. When preparing the bureau-wide annual assurance statement on internal control, BOEM must also include all reviews conducted on administrative functions (including those administered as shared services) as well as all external audits initiated or completed that fiscal year that apply directly to BOEM's mission and/or whose reports contain recommendations for BOEM.

2.10 Reporting Requirement/Forms. The bureau issues specific instructions, forms, and templates to accomplish these requirements in its annual ERM and ICP guidance. BOEM uses DOI forms and templates for reporting when required.