

# Empowering employees through MICP

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Graphic illustration by Cheryl Jamieson  
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**I**f you think a process is not working properly, say something. One of two things should happen; you will be provided training and additional information so the process is better understood, or the process will be changed because you were right and there is a better, safer or more efficient way of doing business.

The above thought process is the underlying concept behind the Defense Contract Management Agency's Managers' Internal Control Program. "If employees say a process is flawed, but they don't bring it to anyone's attention, they are not being good stewards of the taxpayers' dollars," said Karen O'Neal, DCMA Managers' Internal Control Program coordinator. "Employees at every level should constantly examine their processes to ensure they are promoting the effective and efficient use of resources."

O'Neal works for the agency's Financial and Business Operations Executive Directorate and oversees MICP, which was established to review, assess and report on the effectiveness of internal controls

within DCMA. She has direct reporting responsibilities to DCMA Director Charlie E. Williams, Jr., for all MICP requirements addressed by the Office of the Secretary of Defense via Acquisition, Technology and Logistics and the OSD Comptroller.

The MICP was given its authority from the Federal Managers Financial Integrity Act of 1982, which requires each Department of Defense agency to practice good stewardship, as well as ensure efficient and effective operations. Additional overarching guidance has been published under DOD Instruction 5010.40, which outlines MICP procedures and responsibilities for internal controls.

"The DOD instruction gives an overview of how to initiate MICP," said O'Neal. "Based on this, I developed the DCMA MICP instruction which establishes the policies, responsibilities and procedures for developing and maintaining the program within the agency."

The instruction applies to all organizational elements of DCMA and replaces the Integrated Risk Management

instruction previously used for internal control validation. A successful program is the responsibility of every employee and is outlined in section 2.7 of the DCMA MICP Instruction. The instruction states, "All DCMA employees, civilian and military, are responsible to reasonably assure that programs achieve their intended results; risk of loss of life and/or loss of public trust is mitigated; the use of resources is consistent with the agency's mission; programs and resources are protected from waste, fraud, and abuse; laws and regulations are followed; and that reliable and timely information is obtained, maintained, reported, and used for decision making."

The agency's first step for fiscal year 2012 was to identify and inventory assessable units. These were defined by agency directorates and each was tasked to evaluate the need for sub-assessable units. O'Neal gave two examples to illustrate this. First, the areas of budget and chief financial officer compliance are sub-assessable units under the Financial and Business Operations Executive Directorate.

Second, policy and correspondence control, facilities, logistics and travel are all sub-assessable units under the Corporate Support Executive Directorate.

“Basically, Mr. Williams approved assessable units using an organizational construct,” said O’Neal. “Once this was established, we moved on to focus on process ownership, or who is responsible for what requirements within the agency contribute to DCMA’s mission.”

These processes are associated closely with the agency policy, instructions and guidance, both in the area of mission and business support. O’Neal worked closely with corporate support in establishing the necessary guidelines for policy that will fulfill the requirements of MICP effectively.

“Since the majority of policies require a process flowchart, we included the MICP statement as a standard paragraph on the signature page for all agency policies,” said Brenda Spain, DCMA Policy program manager. “In accordance with MICP, instructions and handbooks subject to evaluation and testing must have a process flowchart attached to the policy publication.”

In order for a successful program to work, O’Neal said there cannot be enough emphasis on the importance of employee involvement. It is everyone’s responsibility to be part of their process, but O’Neal says process owners “must have thick skin.”

To illustrate her point, O’Neal uses her own process, MICP, as an example, “The level of materiality for each process is based upon management’s judgment. While MICP is a priority for me, my boss who has a broader understanding of the division and agency issues, may prioritize a different process,” said O’Neal. “I do not take this personally. Priorities can change all the way through the chain of command to the final approval of agency priorities by Mr. Williams.”

To assist with prioritization of processes O’Neal developed a worksheet to give managers and employees a template for assigning inherent risk and materiality. It is included in the MICP policy and helps subject matter experts to identify key processes and related control

activities. Examples include control over information processing, physical control over vulnerable assets, segregation of duties and accurate and timely recording of transactions and events.

The narrative of the process, along with a flow, will help illustrate the major and essential steps necessary for identifying risk and control deficiencies within the process. “Looking at the flow can bring out very critical, or point of failure, places in the process,” said O’Neal. “These areas are then tested, and when necessary, a plan is developed to improve on the efficiency and effectiveness of the process.”

The end result of the program is to have everything on the DCMA portal, employees trained on the program and a consolidated way to report and continuously share process information throughout the agency. This not only benefits the overall agency, but also meets the requirements for DOD reporting and fulfills our compliance requirements for the Financial Improvement and Audit Readiness initiative.

For a long time, contract management offices have been capturing this information through their Management Control Reviews and tracking data on very large spreadsheets, said O’Neal. Implementing the paradigm shift from MCRs to MICP has presented a challenge for the agency, but with the increasing support from agency experts, the process is getting easier.

“The functional area experts within DCMA are playing a much larger role this year than they have in the past and it is really helping to develop the program. We want to evolve and develop the commonality between the CMOs and get the functional subject matter experts directly involved in establishing and testing processes they are familiar with,” said O’Neal. “The goal is to have a system which can quickly capture inefficiencies and help identify systemic issues for agency wide corrective action.”

The MICP instruction is accessible on the DCMA instructions intranet web page. 



Karen O’Neal (right), Defense Contract Management Agency Managers’ Internal Control Program coordinator, and Brenda Davis (left), Financial and Business Operations assessable unit administrator, review an updated MICP process flow chart with Pamela Conklin, DCMA Financial and Business Operations executive director. (Photo by Matthew Montgomery, DCMA Public Affairs)