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Wiesbaden, Germany

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United States Army Installation Management Command,
Europe Region
Sembach, Germany

Army in Europe
Circular 11-2

14 January 2015

Army Programs

Fiscal Years 2015 and 2016
Army Managers' Internal Control Program Annual Statement of Assurance

This circular expires 30 September 2016.

For the Commander:

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Document Management

Summary. This circular prescribes policy and procedures for preparing annual statements of assurance for fiscal years 2015 and 2016.

Applicability. This publication applies to HQ USAREUR and USAREUR major subordinate commands (including deployed USAREUR units).

Records Management. Records created as a result of processes prescribed by this circular must be identified, maintained, and disposed of according to AR 25-400-2. Record titles and descriptions are on the Army Records Information Management System website at *https://www.arims.army.mil*.

Suggested Improvements. The proponent of this circular is the Manpower Analysis and Stewardship Branch, Manpower and Management Division, Office of the Deputy Chief of Staff, G8, HQ USAREUR (mil 537-8038). Users may suggest improvements to this circular by sending DA Form 2028 to the USAREUR G8 (AERM-C), Unit 29351, APO AE 09014-9351.

Distribution. This circular is available only electronically and is posted in the Army in Europe Library & Publishing System at *https://aepubs.army.mil/*.

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1. PURPOSE

This circular prescribes policy and procedures for preparing the annual statement of assurance (ASOA) in USAREUR for fiscal years 2015 and 2016. An ASOA certifies that an organization has effective internal controls in place and in use.

2. REFERENCES

a. Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255).

b. GAO/AIMD-00-21.3.1, Standards for Internal Control in the Federal Government (*http://www.gao.gov/special.pubs/ai00021p.pdf*).

c. Office of Management and Budget Circular Number A-123, Management's Responsibility for Internal Control (*http://www.whitehouse.gov/omb/circulars_a123_rev*).

d. AR 11-2, Managers' Internal Control Program.

e. AR 25-400-2, The Army Records Information Management System (ARIMS).

f. Assistant Secretary of the Army for Financial Management and Comptroller (ASA-FM&C) MICP website (*http://asafm.army.mil/offices/FO/IntControl.aspx?OfficeCode=1500*).

g. DA Form 2028, Recommended Changes to Publications and Blank Forms.

3. EXPLANATION OF ABBREVIATIONS AND TERMS

The glossary defines abbreviations and terms.

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4. RESPONSIBILITIES

Heads of "USAREUR organizations" (glossary) will send ASOAs to the USAREUR G8 (AERM-C), Unit 29351, APO AE 09014-9351, by the following dates, unless the USAREUR G8 or higher headquarters changes these deadlines at a later date:

a. The fiscal year 2015 ASOA is due by 28 February 2015.

b. The fiscal year 2016 ASOA is due by 28 February 2016.

5. SUBMISSION REQUIREMENTS

The Federal Managers' Financial Integrity Act and the Office of Management and Budget require the Secretary of Defense to submit an ASOA to the President and Congress. Annual statements from the heads of DOD components support this statement. The Secretary of the Army's ASOA is, in turn, supported by ASOAs from commanders of Army commands, Army service component commands (ASCCs), and direct reporting units. Therefore, the CG, USAREUR, as an ASCC commander, must submit an ASOA to the Secretary of the Army reinforced by ASOAs from USAREUR organizations.

6. PROCEDURES

a. USAREUR organizations will follow the guidance in appendix A when preparing ASOAs and ensure that ASOAs—

(1) Accurately represent the organization's internal controls and support assertions of "reasonable assurance" (AR 11-2).

(2) Identify "material weaknesses" (glossary) where reasonable assurance cannot be provided (app B).

b. The Manpower Analysis and Stewardship Branch, Manpower and Management Division, Office of the Deputy Chief of Staff, G8, HQ USAREUR (mil 537-8038), will provide assistance and training as needed.

APPENDIX A
GUIDANCE FOR PREPARING ANNUAL STATEMENTS OF ASSURANCE

Annual statements of assurance (ASOAs) will consist of the following:

A-1. COVER MEMORANDUM

a. Each ASOA requires a cover memorandum. This memorandum must provide an assessment of the reporting organization's internal controls by the organization's assessable unit manager (AUM). The memorandum must state whether or not the AUM making the assessment has reasonable assurance that internal controls are in place, being used, and operating effectively. This statement must take one of three forms:

(1) Unqualified Statement of Assurance. For example, "I am able to provide an unqualified statement of reasonable assurance that internal controls meet the objectives of the Federal Managers' Financial Integrity Act internal controls over operations programs." Each unqualified statement must have a firm, clearly stated basis for that position.

(2) Qualified Statement of Assurance. For example, "I am able to provide a qualified statement of reasonable assurance that internal controls meet objectives of the Federal Managers' Financial Integrity Act internal controls over nonfinancial operations programs, with the exception of material weaknesses (MWs) described in tab B. These MWs were found in the internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of the date of this memorandum. Other than the MWs listed in tab B, the internal controls were operating effectively and no other MWs were found in the design or operation of the internal controls." In the cover memorandum, the AUM should cite the MWs and internal controls that preclude an unqualified statement (a(1) above).

(3) Negative Statement. For example, "I can provide no assurance that internal controls meet the objectives of the Federal Managers' Financial Integrity Act internal controls over nonfinancial operations programs." Each negative statement must clearly state the reasons for this finding.

b. In assessing the organization, the AUM will consider whether or not the internal controls provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act were met. Reasonable assurance for an AUM may involve accepting certain levels of risk if the cost of eliminating the risk through tighter internal controls would exceed the benefits derived.

c. To provide objective assessments, DOD, DA, and USAREUR have submitted qualified statements in certain previous fiscal years. A qualified statement (a(2) above) admits MWs. Qualified statements that acknowledge MWs and identify what will be done to improve internal controls are positive statements that demonstrate leadership. AUMs of reporting organizations should consider submitting qualified statements when appropriate.

d. The AUM of the reporting organization must sign the cover memorandum.

NOTE: AUMs must be at least a colonel or GS-15 (colonel equivalent, supervisor). Waivers to this policy may be granted by the USAREUR G8 (AERM-C) to accommodate an excessive span of control or the geographic dispersion of subordinate units.

A-2. TABS

a. Tab A: The Basis for Reasonable Assurance/How the Assessment Was Conducted.

(1) The Basis for Reasonable Assurance. Tab A must describe and substantiate how the AUM conducted the assessment. This tab is not optional. AUMs will describe what led them to determine their assessment of reasonable assurance. This description may cite processes such as internal control evaluations, audit or inspection reports, and other senior management reviews. AUMs should give as many examples as possible of how their assessed organization improved the managers' internal control program (MICP).

(2) Additional Information Required.

(a) Leadership. This section summarizes leadership efforts in support of internal controls, including correspondence on the importance of effective internal controls and senior leadership bodies (for example, councils, committees) used to advise on internal control issues.

(b) Training. This section summarizes internal control training conducted, indicates the type of training provided (that is, HQDA control staff or in-house staff), and the total number of individuals (by role) who received each type of training.

(c) Execution. This section summarizes the most effective internal control accomplishments, including improvements in functional processes and procedures related to the administration of internal controls.

(3) MICP and Related Accomplishments.

(a) Accomplishments related to the MICP include management improvements not specifically part of the MICP, but directly related to the protection of Government property, efficiency in operations, conservation of resources, improvements in response to external customer needs, or the enforcement of laws and regulations.

(b) Accomplishments should be explained with simple and concise bullet statements in the following format:

Title of Accomplishment

Issue: *Briefly describe the problem or challenge involved.*

Accomplishment: *Indicate the control put in place. Quantify benefits derived from implementing the control.*

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b. Tab B: Material Weaknesses. Tab B must report each new, corrected, or uncorrected MW. If there are no new, corrected, or uncorrected MWs, tab B will state "No Material Weaknesses." Figure B-1 provides instructions for reporting MWs and how to format the required information.

A-3. MW DETERMINATIONS

a. Identifying and correcting weaknesses in internal controls is a management responsibility. Audit and inspection reports may recommend reporting problems as MWs and managers should consider these recommendations. Whether or not a weakness is material and reported in the ASOA is a management decision. Management must, however, report an MW when an organization has agreed to a finding that auditors or inspectors clearly state as material.

b. To be considered an MW, the weakness must—

(1) Involve a deficiency in internal controls (for example, internal controls are not in place, are not being used, are inadequate, or any combination of these findings).

(2) Warrant the attention of the next higher level of command, because that next level must take corrective action or because the higher command must be made aware of the problem.

c. The decision to report an MW should not be based on whether or not the MW has been corrected. The decision not to report a problem as an MW should be based solely on the significance of the weakness. A serious internal control problem that is identified and corrected during the current fiscal year should be reported. Reporting corrected MWs makes a positive statement about the reporting organization and helps identify problems that may exist Army-wide.

d. Whether or not the next level of command needs to be aware of an internal control weakness is a management decision. In making this decision, managers should consider the following:

(1) Actual or potential loss of or risk to sensitive information or resources (such as assets, finances, information systems, and personnel).

(2) Current or probable media or Congressional interest in the weakness (adverse publicity).

(3) Degradation of information security.

(4) Diminished credibility or reputation of Army management.

(5) Frequency of actual or potential loss, or both.

(6) Inability to accomplish essential missions.

(7) Loss of Government services needed by the public.

(8) Magnitude of funds, property, or other resources involved.

(9) Unreliable information, which causes unsound management decisions.

(10) Violation of statutory or regulatory requirements.

e. Each MW reported must list one of the following DOD functional categories:

(1) Acquisition.

(2) Communications.

(3) Comptroller and resource management.

(4) Contract administration.

(5) Financial reporting.

(6) Financial system conformance.

(7) Force readiness.

(8) Information technology.

(9) Intelligence.

(10) Manufacturing, maintenance, and repair.

(11) Personnel management, or organization management, or both.

(12) Procurement.

(13) Property management.

(14) Research, development, test, and evaluation.

(15) Security.

(16) Security assistance.

(17) Supply operations.

(18) Support services.

(19) Other (primarily transportation).

APPENDIX B
INSTRUCTIONS AND FORMAT FOR REPORTING MATERIAL WEAKNESSES

Figure B-1 shows the required information and format for reporting each new, corrected, and uncorrected material weakness (MW). The MW report or reports will be tab B of the annual statement of assurance memorandum.

Local ID #: Indicate your local identification number for the MW. (Assigned by the USAREUR G8.)

IC Reporting Category: Enter the applicable Internal Control Reporting Category as defined in app A, para A-3e.

Title and Description of Material Weakness: Enter a short title, and ensure the description will fully convey the problem, its cause, and its effect to a member of Congress or the general public. If an MW was previously reported as corrected and must be reopened, it should keep its previous title and ID number with a parenthetical notation in the description that it was previously reported as closed in the ASOA for fiscal year (FY) (enter the applicable year).

First Year Reported: Enter the FY in which the MW was first reported in the organization's ASOA. This date will not change once the weakness has been identified.

Target Correction Date: Enter the FY originally identified for correcting the MW when the MW was first reported. If the date changes, provide a brief explanation in the Corrective Action Summary.

Corrective Action Summary: Describe the steps necessary to correct the deficiency that is causing the weakness. Ensure you explain how you will validate that the deficiency no longer exists (for example, documented independent audit review, accomplishment of a pre-established reported metric). This summary should not be longer than one paragraph.

Detailed Corrective Action Plan: Provide a detailed corrective action plan so that all reporting organizations can oversee and monitor the status.

(EXAMPLE)

Date	Milestone
4th Qtr, FY15	Review policies to support standardizing data and processes are established across the command.
1st Qtr, FY16	Develop and deploy a formal training program.

Validation Process: Indicate the method to be used to validate the effectiveness of the corrective action and the date the validation will take place. Indicate if the Internal Review and Audit Compliance Office, HQ USAREUR; the United States Army Audit Agency; or the Department of the Army Inspector General will be involved in the validation.

Office of the Secretary of Defense or HQDA Action Required: For weaknesses that require Office of the Secretary of Defense or HQDA involvement to correct, reporting organizations should specify which HQDA functional proponent's involvement is needed (for example, Deputy Chief of Staff, G-3/5/7; Deputy Chief of Staff, G-4). The reporting organization should also include that proponent's office symbol, POC, telephone number, and e-mail address. If reporting the weakness for "information only", enter "NA."

POC: Enter the name, office symbol, telephone number, and e-mail address of the individual who knows the most about the MW.

Figure B-1. Instructions and Format for Reporting Material Weaknesses

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GLOSSARY

SECTION I
ABBREVIATIONS

AE	Army in Europe
ASCC	Army service component command
ASOA	annual statement of assurance
AUM	assessable unit manager
CG, USAREUR	Commanding General, United States Army Europe
DA	Department of the Army
DOD	Department of Defense
FY	fiscal year
GAO	United States Government Accountability Office
HQDA	Headquarters, Department of the Army
HQ USAREUR	Headquarters, United States Army Europe
ID	identification
MICP	Managers' Internal Control Program
MW	material weakness
NA	not applicable
POC	point of contact
USAREUR	United States Army Europe
USAREUR G8	Office of the Deputy Chief of Staff, G8, Headquarters, United States Army Europe

SECTION II
TERMS

assessable unit manager
Head of a USAREUR organization

material weakness
A significant deficiency in internal controls that merits reporting to the next higher level of command

USAREUR organizations
Commands and staff offices assigned to USAREUR