

**CHAPTER 3****ESTABLISHING ASSESSABLE UNITS FOR FINANCIAL MANAGEMENT  
INTERNAL CONTROL EVALUATIONS**0301 GENERAL

030101. Purpose. This chapter provides detailed guidance on National Aeronautics and Space Administration's (NASA) financial management internal control program policies, procedures, and responsibilities within the Agency related to establishing assessable units (AUs) for internal control evaluation purposes. This involves the process of dividing up various operations that support financial management into distinct business units so that a meaningful evaluation of internal control can be performed. This process supports the internal control process developed by the [Office of Quality Assurance \(OQA\)](#) in compliance with Office of Management and Budget ([OMB Circular A-123 "Management's Responsibility for Internal Control"](#)) and Government Accountability Office (GAO) internal control standards.

030102. To properly evaluate a control system, the subject of the evaluation must be clearly defined. To assure this happens, operations within the organizations at NASA Headquarters and the Centers that support Agency-wide financial management, are separated into discrete organizational or functional components termed "assessable units." All operations in this organizational structure, to include the [Office of the Chief Financial Officer \(OCFO\)](#), Mission Directorates, Mission Support Offices, NASA Competency Center, and the NASA Shared Services Center (NSSC), must be included in the assessable unit (AU) development process to establish a baseline inventory.

030103. Establishing the focus of financial management internal control evaluations is a critical step in the overall internal control program. AUs are established so financial management internal control evaluations (e.g., risk assessments, self assessments, and internal control reviews) may be easily performed and provide meaningful results. The process requires defining discrete areas to review in a logical fashion to help assure:

- A. The area being reviewed can be identified in distinct terms;
- B. Organizations focus specifically on internal controls by developing a structure solely for the purposes of internal control evaluations; and
- C. A responsible and accountable official will be identified to bring about necessary control improvements.

0302 REQUIREMENTS

030201. Each organization at NASA Headquarters and the Centers that have a primary role in budget formulation or execution and accounting for NASA finances must divide their organization into AUs. This includes the OCFO, Mission Directorates, Mission Support Offices, NASA Competency Center, and the NSSC.

030202. Scope. All areas within the organizations defined in Section 030102 should be included within the AU definition process. AUs should be distinct and no overlapping should occur. In many cases, the AU will be the same as the lowest organizational level, (e.g., Division, Branch, or Office). Once the inventory of AUs has been developed, the information should be documented using the required form (see Appendix 1).

030203. Maintenance and review. All organizations should maintain AU definition documentation on-site to serve as a source document record for review by the Office of Quality Assurance and external auditors.

030204. Updates. AUs that have been established should be updated periodically. After AUs have been in place for a full cycle of internal control evaluations, generally three to five years, a re-evaluation must be conducted. OQA will initiate when the reevaluation should commence. However, when a re-organization takes place which alters the AU structure, the respective AUs should initiate the re-establishment of AUs and this should be completed within three months of effective date of reorganization. Revised AUs should be documented and maintained on-site. Additionally, major upgrades or implementation of new functionality in applicable NASA systems may also trigger the need to review the existing AU structure. As an example, it is possible that system changes could eliminate or introduce the need for specific AUs.

0303 PROCESS

030301. There are numerous acceptable ways to divide organizations into AU's for internal control evaluations, since organizations vary in structure, size, and function. The goal is an Agency-wide inventory of AU's, each of which will be the subject of a risk assessment and a self assessment. How to differentiate the AU's, for example, by an organizational breakdown, a functional breakdown, or a combination of both, is a matter of manager's judgment but should be of a nature and size to facilitate meaningful review. For examples of organizational and functional AUs, see Appendix 1.

030302. Common characteristics. Although AUs may be quite dissimilar in content, other than some standard administrative areas, they will have the following common characteristics:

A. A single AU contact may be assigned responsibility for all activity within the unit.

B. The AU contact will be knowledgeable of the individual processes and associated control systems.

C. A unit will not be of excessive size or complexity to prohibit a meaningful assessment.

D. The AU contacts should have the authority necessary to recommend internal adjustments to the existing control system(s).

030303. In developing the inventory of AUs, reference should be made to such sources of information as the goals, budget and related materials, organization charts, manuals, and program and financial management information systems. The following specific factors should be considered:

- A. Existing organizational structure
- B. Nature and size of financial and administrative functions
- C. Number of sub-programs or sub-functions in the organization
- D. Number of separate organizations operating the program
- E. Degree of independence of the program or function
- F. Resource totals
- G. Integrated or cross-functional programs and functions

030304. The precise organizational or functional level where AUs are located may vary from one organization to another. Smaller organizations may have a single layer between the management office and the level where AUs begin to be assigned. Larger Centers may have two or three additional organizational and functional layers before AUs are considered reasonable. As stated earlier, these decisions must be made on an individual basis by the Center CFO or the organization's Official in Charge and based on when an AU contact will be able to provide a meaningful assessment of controls.