



IN REPLY  
REFER TO

DEFENSE COMMISSARY AGENCY  
HEADQUARTERS  
1300 E AVENUE  
FORT LEE, VIRGINIA 23801-1800

CC

July 24, 2013

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE  
(READINESS AND FORCE MANAGEMENT)


SUBJECT: Annual Statement Required Under the Federal Managers' Financial Integrity Act

As Director of the Defense Commissary Agency (DeCA), I recognize that DeCA is responsible for establishing and maintaining effective internal controls to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). Tab A of the attached DeCA FY 2013 Annual Statement of Assurance provides specific information on how DeCA conducted the assessment of operational internal controls, in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, and provides a summary of the significant accomplishments and actions taken to improve DeCA's internal controls during the past year.

I am able to provide an unqualified statement of assurance that DeCA's operational internal controls meet the objectives of FMFIA.

DeCA conducted its assessment of the effectiveness of internal controls over financial reporting in accordance with OMB Circular A-123, Appendix A, *Internal Control Over Financial Reporting*. Tab A of the attachment provides specific information on how DeCA conducted this assessment. Based on the results of this assessment, DeCA is able to provide an unqualified statement of assurance that the internal controls over financial reporting as of June 30, 2013, were operating effectively.

DeCA also conducted an internal review of the effectiveness of the internal controls over the integrated financial management systems. Tab A of the attachment provides specific information on how DeCA conducted this assessment. Based on the results of this assessment, DeCA is able to provide a qualified statement of assurance that the internal controls over the integrated financial management systems as of June 30, 2013, are in compliance with the Federal Financial Management Improvement Act and OMB Circular A-127, with the exception of one nonconformance noted in Tab C.



Joseph H. Jeu  
Director

Attachment:  
As stated

cc:  
Chairman, DeCA Board of Directors

# DEFENSE COMMISSARY AGENCY FY 2013 Annual Statement of Assurance

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FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT OF 1982. This Act requires ongoing evaluations and reports of the adequacy of the systems of internal accounting and administrative controls of this agency in accordance with standards prescribed by the Comptroller General.

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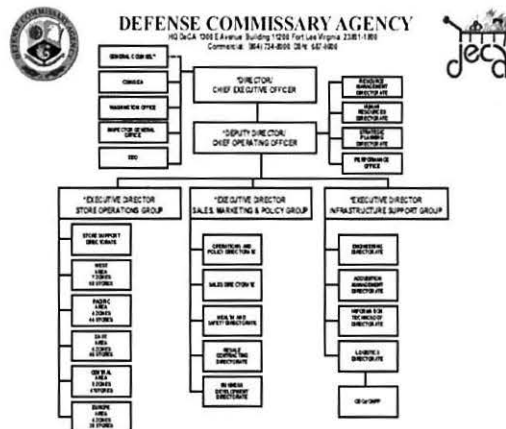
## TAB A-1

### DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE AND HOW THE EVALUATION WAS CONDUCTED

The Defense Commissary Agency's (DeCA) mission is to deliver a vital benefit of the military pay system that sells grocery items at cost while enhancing the quality of life and readiness of the soldiers, retirees, and their families. DeCA's vision is to understand those individuals and deliver to them a 21<sup>st</sup> Century Commissary Benefit by: (a) providing exceptional customer service; (b) promoting effective and efficient operations; and (c) ensuring compliance with applicable laws and regulations. Assuring this requires an effective system of internal control that is strengthened by quarterly and annual assessments, to identify any potential weaknesses in policies or procedures at the earliest opportunity.

#### Major Organizational Units:

- Office of the Director
- Office of the Deputy Director
- Store Operations Group
- Sales, Marketing, and Policy Group
- Infrastructure Support Group
- Resource Management Directorate
- Human Resources Directorate
- Strategic Planning Directorate
- Engineering Directorate
- Acquisition Management Directorate
- Information Technology Directorate
- Logistics Directorate
- Inspector General Office
- Equal Employment Office



DeCA's senior management evaluated the system of internal control in effect during the fiscal year as of the date of this memorandum, according to the guidance in the Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*, December 21, 2004. The OMB guidelines were issued in conjunction with the Comptroller General of the United States, as required by the "Federal Managers' Financial Integrity Act of 1982." Included is an evaluation of whether the system of internal control for DeCA is in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal control of DeCA are to provide reasonable assurance of:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

The evaluation of internal controls extends to every responsibility and activity undertaken by DeCA and applies to program, administrative, and operational controls. Furthermore, the concept of reasonable assurance recognizes that (1) the cost of internal control should not exceed the benefits expected to be derived, and (2) the benefits include reducing the risk associated with failing to achieve the stated objectives. Moreover, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal controls, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projection of any system evaluation to future periods is subject to the risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Therefore, this statement of reasonable assurance is provided within the limits of the preceding description.

DeCA evaluated the system of internal control in accordance with the guidelines identified above. The results indicate that the system of internal control of DeCA, in effect as of the date of this memorandum, taken as a whole, complies with the requirement to provide reasonable assurance that the above mentioned objectives were achieved. This position on reasonable assurance is within the limits described in the preceding paragraph.

Using the following process, DeCA evaluated its system of internal control and maintains sufficient documentation/audit trail to support its evaluation and level of assurance.

**Managements' Responsibility:** DeCA's executive management is responsible for, the quality and timeliness of program performance, increasing productivity, controlling costs, mitigating adverse aspects of agency operations, and assuring that programs are managed with integrity and in compliance with applicable laws. In order to ensure the entire Agency fulfills these responsibilities, senior management conducts annual training, and timely assessments of internal controls throughout the year. DeCA's "Tone At the Top" commitment to internal control is much more than a set of procedures put in place to safeguard assets. Rather, they are the cumulative sum of all the things we do as public servants to identify, monitor and manage risk within all area(s) of operation. It continues to be an ongoing project of inspecting, observing, and improving controls and efficiencies throughout the year to that end. This comprehensive view of enterprise risk management and control enhancement is critical to ensuring that the patrons of the commissary receive the greatest value of the 21<sup>st</sup> century benefit provided by DeCA.

**Annual Training:** There is a growing appreciation throughout the Agency that effective internal control does not evolve naturally. It requires training and a concerted effort on an ongoing basis. Educating stakeholders at every level of the organization about the advantages of the OMB Circular A-123, Appendix A methodology has been one of the greatest contributors to that appreciation. The training of managers and the Agency as a whole has been extremely important to the success of the internal control program, and DeCA continues to facilitate internal control education through video training, face-to-face communication, and classroom instruction. All the training focuses on teaching all assessable unit managers (AUM) how to draft narratives, design flowcharts, and create risk analysis that outline the control environment. Training also focuses on how to identify key internal controls, and ways to assess the effectiveness of those key controls. Providing clean definitions about risks, ineffective controls, and material weaknesses allows testers to more accurately determine the impact of testing exceptions.

**Control Assessments:** In accordance with Department of Defense Instruction (DoDI) 5010.40, *Managers' Internal Control Program Procedures*, and the Financial Improvement and Audit Readiness (FIAR) Guidance, components are required to report on the effectiveness of internal controls each year. In FY 2010 DeCA's management began utilizing the OMB Circular A-123, Appendix A guidance to implement the Agency's entire internal control program. DeCA's overall control environment consists of three distinct areas, and the OMB Circular A-123, Appendix A methodology is used to monitor and assess each of them:

1. **ICOFR** – Internal Controls Over Financial Reporting (OMB Circular A-123, Appendix A)
2. **ICONO** – Internal Controls Over Non-financial Operations (Divisional/Store Assessments)
3. **ICOFS** – Internal Controls Over Financial Systems (FFMIA Compliance/OMB Circular A-127)

DeCA's management along with its MICP Coordinators have successfully identified "key financial and operational controls" associated with and inherent to the Agency's operation. Utilizing the Appendix A methodology the effort has produced effective results, and improvements year after year.

DeCA's management also works with several key trading partners to identify and resolve internal control weaknesses throughout the year. The Defense Finance and Accounting Service (DFAS) and the Defense Logistics Agency (DLA) are two of those partners. DFAS is DeCA's accounting service provider, and DLA provides human resource support services. DFAS has been engaged with DeCA's internal control program since Appendix A was implemented, and is a member of the Senior Assessment Team (SAT) as an advisor to the voting members. The DFAS representative coordinates and/or resolves all DFAS related issues. DLA began providing human resource (HR) services to DeCA in FY 2009. DeCA's MICP Coordinators partnered with DLA to implement the Appendix A methodology in 2010 and the program has evolved over the last three years. The MICP Coordinators with DeCA HR and DLA HR continue to implement the program, through annual assessments and reviews of all processes. The Agency's trading partners test results are validated each year by the external auditor's compliance requirements to applicable laws and regulations. DeCA, DFAS, and DLA's consolidated effort has garnered the Agency's 11<sup>th</sup> consecutive unqualified audit opinion. We attribute this trend to the consistent effort of the agencies involvement with the internal control program and all its tenants.

Test Plans vary in form, but content is consistent between divisions, programs and processes. During the test plan phase a detailed test description is formulated before completing the documentation and testing of controls. Testing specifically addresses the procedures in performing and documenting each test. It also includes the methodology for selecting test samples and performance. Documentation of test plans provides evidence to support the operating effectiveness of each key control and validates the control is effective. Test plans are revised as the testing phase progresses and new information becomes available. (see Figure 1)

Figure 1: Test Plans

Form	NOA	Program	TERMINAL
1	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
2	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
3	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
4	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
5	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
6	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
7	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
8	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
9	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
10	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
11	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
12	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
13	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
14	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
15	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
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97	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
98	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
99	MANAGEMENT OVERSIGHT	Phase 1	Phase 2
100	MANAGEMENT OVERSIGHT	Phase 1	Phase 2

The Test Plans were designed to validate those controls identified in the Risk Analysis, and includes the following:

- a) Control Description



- b) Control Type (automated or manual)
- c) Frequency of the Control (weekly, monthly, Annually)
- d) Sample Size (10%)
- e) Test Description
- f) Results & Findings

Annually DeCA's MICP coordinators revise the Test Plans to reflect any new assessments or updates from the prior year's findings, to include the external audit and any other annual assessments and/or reviews. The updated Test Plans are then used by "testers" (assigned by the Assessable Unit Manager) to assess the effectiveness of each specific control. As assessments are being completed a Test Results document is also being maintained to capture an electronic record of all samples used as well as the tester's detailed findings. This document is retained for use with audits or validations conducted by the Department of Defense MICP manager. (see Figure 2)

Figure 2: Test Results

The Test Results were designed to electronically capture specific sample data, and it includes the following:

- a. Sample identifiers for possible audit
- b. Specific questions for each test
- c. Key Sample Documents (KSD) used
- d. Standard format for sample gathering
- e. Electronic file to minimize paper

Both the Test Plan and the Test Results are later returned back to the MICP coordinator for final analysis. The coordinator conducts a detailed review of the test results, and records the number of failed samples. This is then compared to the total number of samples to determine if the results are within the tolerance for effectiveness. The coordinator then determines the status of the control, a) effective - green; b) effective with exceptions - yellow; or c) ineffective - red. The results of this review are then documented in the Control Analysis and consolidated to be briefed to the SAT. Any identified ineffective controls are marked for corrective action and removed from Quarterly/Annual testing. This is where the program provides the greatest impact to the Agency as well as to each of the divisions. (See Figure 3)

Figure 3: Control Analysis

The Control Analysis provides analytics based on the results and findings, and includes the following:

- a. Description of the actual test
- b. Results and Findings
- c. Determination of Effectiveness (Green, Yellow, or Red)
- d. Corrective Action Status (control remediation)
- e. Materiality of Weakness
- f. Reassessment of Risk Level

At the conclusion of this year's testing the testers visited 277 controls, and results identified 259 were found to be effective; 15 were found to be effective with exceptions; and 3 were found to be ineffective and required remediation. When compared to each of the overall programs none of the findings were found to be material however a corrective action plan (CAP)

is still required to be implemented, monitored and assessed. Each AUM will take timely and deliberate action to correct those identified ineffective controls.

Correcting deficiencies is an integral part of accountability and must be considered a priority, therefore progress of CAPs are documented and reported on quarterly. Management's involvement in the remediation of controls is based on the materiality, and non-material weaknesses are generally resolved at the lowest level. A well defined and documented corrective action plan benchmarks progress from identification to implementation. (See Figure 4)

Figure 4: Corrective Action Plan

Control	Deficiency	Root Cause	Corrective Action	Completion Date	Status
Control 1: Personnel file requirements	Personnel file requirements not being met	Personnel file requirements not being met	Personnel file requirements not being met	January 15, 2009	Complete
Control 2: Personnel file requirements	Personnel file requirements not being met	Personnel file requirements not being met	Personnel file requirements not being met	January 28, 2009	Complete
Control 3: Personnel file requirements	Personnel file requirements not being met	Personnel file requirements not being met	Personnel file requirements not being met	May 28, 2009	Complete
Control 4: Personnel file requirements	Personnel file requirements not being met	Personnel file requirements not being met	Personnel file requirements not being met	September 1, 2009	Complete
Control 5: Personnel file requirements	Personnel file requirements not being met	Personnel file requirements not being met	Personnel file requirements not being met	December 11, 2009	Complete
Stakeholders	HR, HRIS, DOL				
Comments	Created by SAT 1/21/2009				

An effective CAP requires the AUM responsible for the control deficiency to establish:

- A detailed explanation of the problem
- A detailed plan to correct the deficiency
- Milestones and a projected completion date
- Status of the solution at each milestone
- List of stakeholders & responsibilities

The absence of one of these five factors could lead to failure when attempting to correct problems. In addition to the responsible individual tracking the status, he or she must also keep the SAT apprised of their progress. This level of reporting and accountability creates visibility of control issues to the senior managers and serves as a catalyst for prompt resolution. By improving the effectiveness of the Agency's system of internal control, DeCA continues to mitigate potential risk through training, education, and a commitment to improvement.



**TAB A-2**  
**SIGNIFICANT MICP ACCOMPLISHMENTS**



**Internal Control Reporting Category:** Support Services

**Description of the Issue:** Store Internal Control Assessments

**Accomplishment:** Improvements in Health, Safety and Customer Service

DeCA's Management, over the past five years has successfully identified several improvements to the commissary stores' operation, which have resulted in cost savings, time savings and improved customer service. The Assessment Team reviewed the effectiveness of store management and operations, and found the improved results had a direct affect on customer satisfaction, as we scored the highest ever on the American Customer Service Index (ACSI) survey.

**Support Services** - DeCA operates 247 commissary stores around the world. At each store, the director ensures the highest level of customer service, safety and satisfaction for the soldiers, retirees, and their families. The Store Operations division created an assessment team to assess the various departments within each store's operation (grocery, bakery, meat & produce, etc.). The Assessment team identified critical business processes that related policy compliance to business results and would allow store managers to more quickly and distinctly identify the weak areas of their operation. These processes were assessed and tested in over 10% of the stores. For all identified critical process failures corrective action plans were immediately implemented, and monitored.

Management scored highest across the board in its efforts to ensure safety based on the implementation of Hazard Analysis Critical Control Point (HACCP) plans. The store management is ultimately responsible for developing and maintaining HACCP plans and control checklists points (CCP) for the various types of food programs within the stores. Store managers must ensure a HACCP plan is provided for those stores where hot food, sushi and other types of food preparation exists. Once the CCP for each of the varying food operations has been identified in the HACCP plan, a written checklist is created that monitors the effectiveness of the public health measures implemented at each CCP. Monitoring procedures for CCPs should invariably be simple rapid tasks that are measurable and not subjective. The store management was evaluated on efforts to ensure spot checks of temperature and other safety efforts were logged maintained and monitored. Management for all 25 of the assessed stores received the highest ratings possible in the areas relating to the HACCP plan. There were high scores in other areas such as: the customer service as a whole had an average score of 95%; the meat departments had an average score of 93%; and the produce sections had an average score of 92%. The stores results overall were favorable, and the corrective actions are being implemented.

The far reaching benefits of the new internal control assessments truly resonated as we considered the latest American Customer Satisfaction Index (ACSI) survey, where we rated 82 points out of 100, the Agency's highest score ever. The score was also higher than the industry average and comparable to the leading external competition (86 points).

**Internal Control Reporting Category: Maintenance & Repair**

**Description of the Issue: Facility Maintenance**

**Accomplishment: Cost Savings, Time Savings, and Effectiveness**

DeCA's management also identified efficiencies by consolidating the previous multi-contract(s) facilities maintenance program under one GSA Enterprise contract. In doing so, we were able to, improve cost savings, provide a more timely service and achieve a more effective facility maintenance program.

**Maintenance and Repair** - The DeCA's management is responsible for the maintenance of all facilities world-wide, and ensuring the functioning operations of each facility is crucial. Therefore the accuracy, effectiveness, and timeliness of maintenance contracts are vital in minimizing risk and ensuring continuous operations. The goal is to effectively and efficiently support the life cycle of the facilities by eliminating unplanned slowdowns due to maintenance emergencies, while realizing life-cycle cost savings. To this goal, CONUS locations were selected and switched from Installation support, with multiple contracts, to a single GSA contract.

Assessing the controls associated with the facility maintenance has lead to a more efficient facility maintenance program saving both time and money. After the enterprise contracts were in place long enough to acquire meaningful data for an "apples to apples" comparison with the legacy contracts, we found recurring, scheduled preventive maintenance costs are now seven percent lower than they were with the legacy contracts. The cost comparison for unscheduled repairs to replace failed compressors (*a common facility maintenance task common to both the legacy and enterprise contracts*) found that the Agency is now spending seventy percent less on compressor replacement costs.

The enterprise contracts include routine visits to all stores by a "handyman" who can perform minor repairs quickly, efficiently and without the "red-tape" required to formally request work, through the previous work order requirements. Some of the scheduled preventive maintenance includes several tasks, such as re-lamping, grease trap maintenance, roof-top housekeeping to keep debris off the roof, and to keep roof drains unobstructed. These actions are accomplished automatically, eliminating the time consuming need to place individual work orders. Over ninety percent of the work orders issued are valued below \$2,500. Funds for these actions are pre-positioned at GSA, saving the time that would otherwise be required to issue funds for each of the thousands of small dollar work orders required each year.

The contract administration and management effort has been reduced with the reduction from 21 legacy contracts to 6 maintenance groups, each under enterprise contract task order. Preventive maintenance under the enterprise contract requires specific, scheduled, actions to be taken, to keep equipment in good operating condition. Greater maintenance discipline due to the enterprise contract resulted in greater reliability, longer equipment service life, and fewer failures. In short, the Agency is spending significantly less on things like compressor replacement (as discussed above) than ever before.

**TAB B - Not Applicable**

**OPERATIONAL MATERIAL WEAKNESSES/CORRECTIVE ACTIONS**

**TAB C**

**FINANCIAL REPORTING/FINANCIAL SYSTEM  
MATERIAL WEAKNESSES/ CORRECTIVE ACTIONS**



**Uncorrected Material Weaknesses Identified During Prior Periods:**

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>First Year Reported</b>	<b>Targeted Correction Year</b>	<b>Original Target Date</b>	<b>Corrective Action Summary</b>
Comptroller & Resource Mgmt	Non-compliance with FFMIA	FY 2011	FY 2015	FY 2015	Legacy Systems Replacement

DeCA’s financial management systems do not substantially comply with FFMIA. The Agency received the first Notice of Finding and Recommendation (NFR) during the annual FY 2011 external audit, however DeCA has been exceeding compliance requirements since FY 2002, by implementing a series of compensating controls, and assessing their effectiveness annually. The Agency will continue to implement those same stringent controls until a new accounting system is acquired in the future.

DeCA, along with the DoD, is actively working on improving the financial business system for Defense Agencies in an effort referred to as the Defense Agencies Initiative (DAI). The DAI is a standardized system that will replace DeCA’s current legacy accounting systems, DBMS and STANFINS. DeCA’s general ledger accounting responsibility lies with the Defense Finance and Accounting Service (DFAS). The DFAS is scheduled to implement the new accounting system in FY 2015.

As DFAS moves forward with the acquisition and implementation of the FFMIA compliant general ledger accounting system, DeCA is preparing it’s systems, personnel and resources for the transition.





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REFER TO

DEFENSE COMMISSARY AGENCY  
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1300 E AVENUE  
FORT LEE, VIRGINIA 23801-1800

JUL 1 2013

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MEMORANDUM FOR THE OFFICE OF THE UNDER SECRETARY OF DEFENSE  
(COMPTROLLER), FINANCIAL IMPROVEMENT AND  
AUDIT READINESS DIRECTORATE

SUBJECT: FY 2013 Statement of Assurance on Internal Controls over Financial Reporting  
(ICOFR) and Internal Controls over Financial Systems (ICOFS)

The Defense Commissary Agency (DeCA) conducted an internal review of the effectiveness of DeCA's internal controls over financial reporting for the Financial Improvement Plan (FIP) assessable units identified in the May 2013 FIAR Plan Status Report and related financial systems. The May 2013 FIAR Plan Status Report provides information pertaining to DeCA accomplishments, and identifies the schedule for DeCA's FIP assessable units that currently are under evaluation.

The assessment was conducted in compliance with Office of Management and Budget (OMB) Circular No. A-123, Appendix A, and the March 2013 Department of Defense (DoD) Financial Improvement and Audit Readiness (FIAR) Guidance, under the oversight of DeCA's Senior Assessment Team (SAT). The DeCA SAT is designated to provide oversight in maintaining complete records of the assessment documentation. Based on the results of this assessment, the DeCA is able to provide an unqualified statement of assurance that the internal controls over financial reporting assessable units as of June 30, 2013, were operating effectively.

The DeCA also conducted an internal review of the effectiveness of the internal controls over the financial systems. The DeCA is able to provide a qualified statement of assurance, that the internal controls over the financial systems as of June 30, 2013, are in compliance with the Federal Financial Management Improvement Act and OMB Circular A-127 with the exception of one nonconformance noted below.

The DeCA also asserts that the nonconformance identified below and related corrective actions and remediation plans for bringing those systems into substantial compliance included in Attachment 1 are supported by the detail included in the FIP as of June 30, 2013, section 2.

Attachment 1

**Material Weaknesses/Nonconformance(s):**

Non-Compliance with FFMIA (Non-compliant Fin. Sys)

September 2015

- a) Interoperability of multiple financial systems
- b) Unable to comply with Federal Accounting Standards
- c) Unable to record transactions at the USSGL level

**Corrected Material Weaknesses/Nonconformance(s):**

N/A



Lauren P. Bands, CFE  
Chair, Senior Assessment Team



**Defense Commissary Agency (DeCA)**  
**Failure to Comply with FFMIA, Internal Control over Financial Systems**  
**Corrective Action Plan**

FIP Related Assessable Unit: Budget To Report (Non-compliant Financial Systems)

First Year Reported: FY 2011

Original Target Date: FY 2015

Target Date on Prior Year SOA: FY 2015

Status: On Track

Current Target Date: FY 2015

**Description of Weakness:** DeCA's financial management systems do not substantially comply with federal financial management systems requirements, (Systems are not interoperable with other federal accounting systems), (Systems do not adhere to Federal Accounting Standards), and (System cannot account for transactions at the United States Standard General ledger level).

**Corrective Action Summary:** Currently DeCA mitigates risks caused by the non-compliant systems by implementing a series of compensating controls that have previously met and exceeded the requirements of the annual audit. DeCA/DFAS as part of the Defense Agencies Initiative (DAI), are actively pursuing a new accounting system that will provide: a) interoperability of systems, b) compliance with Federal Accounting Standards; and c) transactions at the USSGL level. This will be achieved by replacing the current legacy systems with a FFMIA compliant general ledger accounting system that a) facilitates the appropriated fund; b) accepts and generates USSGL transaction level activity from the Agency's business systems; and c) provide optimal interoperability between DeCA's various funds (operations fund, resale fund, surcharge fund, etc.)

**Impediments:** DeCA continues to prepare for 2015 implementation, as per the DAI Deployment Schedule for DoD Agencies

## FY 2013 DeCA Material Weakness Corrective Action Plan

End-to-End Business Process and Material Weakness	OSD Senior Accountable Official
<b>Budget-to-Report</b>	
<b>Non-compliant Financial Systems (w/FFMIA)</b> <ul style="list-style-type: none"> <li>• Unable to exchange information between multiple financial systems</li> <li>• Unable to adhere to Federal Accounting Standards</li> <li>• Unable to record transaction activity at the USSGL level</li> </ul>	<b>Mr. Mark Easton, Deputy Chief Financial Officer,                      OUSD(Comptroller)</b>
N/A	
N/A	
N/A	
<b>Hire-to-Retire</b>	
N/A	
N/A	
N/A	
<b>Order-to-Cash</b>	
N/A	
<b>Procure-to-Pay</b>	
N/A	
N/A	
N/A	
<b>Acquire-to-Retire</b>	
N/A	
N/A	
N/A	
N/A	
<b>Plan-to-Stock</b>	
N/A	
N/A	
N/A	

**TAB C-2**

**FINANCIAL REPORTING/FINANCIAL SYSTEM  
CORRECTIVE ACTION PLAN**



**Defense Commissary Agency (DeCA)  
Failure to Comply with FFMIA, Internal Control over Financial Systems  
Corrective Action Plan**

**FIP Related Assessable Unit:** Budget to Report (Non-compliant Financial Systems)

**First Year Reported:** FY 2011

**Original Target Date:** FY 2015

**Target Date on Prior Year SOA:** FY 2015

**Status:** On Track

**Current Target Date:** FY 2015

**Description of Weakness:** DeCA's financial management systems do not substantially comply with federal financial management systems requirements, (Systems are not interoperable with other federal accounting systems), (Systems do not adhere to Federal Accounting Standards), and (System cannot account for transactions at the United States Standard General Ledger (USSGL) level).

**Corrective Action Summary:** Currently DeCA mitigates risks caused by the non-compliant systems by implementing a series of compensating controls that have previously met and exceeded the requirements of the annual audit. DeCA/DFAS as part of the Defense Agencies Initiative (DAI) are actively pursuing a new accounting system that will provide: a) interoperability of systems, b) compliance with Federal Accounting Standards; and c) transactions at the USSGL level. This will be achieved by replacing the current legacy systems with a FFMIA compliant general ledger accounting system that a) facilitates the appropriated fund; b) accepts and generates USSGL transaction level activity from the Agency's business systems; and c) provide optimal interoperability between DeCA's various funds (operations fund, resale fund, surcharge fund, etc.)

**Impediments:** DeCA continues to prepare for 2015 implementation, as per the DAI Deployment Schedule for DoD Agencies

TAB C-3

FINANCIAL REPORTING/FINANCIAL SYSTEM  
MATERIAL WEAKNESS

End-to-End Business Process & Material Weakness	OSD Senior Accountable Official
<b>Budget to Report:</b>	
Non-Compliant Financial Systems (w/FFMIA)	Mr. Mark Easton, Deputy Chief Financial Officer, OUSD(Comptroller)
Unable to exchange information between financial systems	
Unable to adhere to Federal Accounting Standards	
Unable to record transaction activity at the USSGL level	
<b>Hire to Retire:</b>	
N/A	
N/A	
N/A	
<b>Order to Cash:</b>	
N/A	
N/A	
N/A	
<b>Procure to Pay:</b>	
N/A	
N/A	
N/A	
<b>Acquire to Retire:</b>	
N/A	
N/A	
N/A	
<b>Plan-to-Stock:</b>	
N/A	
N/A	
N/A	



**TAB D - Not Applicable**

**CORRECTIVE ACTION PLANS AND MILESTONES**

**TAB E**

**DOD ASSESSMENT OF  
INTERNAL CONTROL OVER ACQUISITION FUNCTIONS**

