

TAB A

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

The Defense Commissary Agency (DeCA) senior management evaluated the system of internal accounting and administrative controls in effect during the fiscal year as of the date of this memorandum, according to the guidance in 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 (FMFIA) of 1982. Included is an evaluation of whether the system of internal accounting and administrative control for DeCA is in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of DeCA are to provide reasonable assurance that:

- The obligations and costs are in compliance with applicable law;
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- Revenues and expenditures applicable to Agency operations are properly recorded and accounted for to permit the preparation of reliable accounting, financial statistical reports, and to maintain accountability over the assets.

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 controls 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 accounting and administrative control, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projection of any system evaluation to future periods is subject to 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 accounting and administrative control of DeCA in effect during the Fiscal Year (FY) 2007 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.

DeCA evaluated its system of internal accounting and administrative control using the following process for conducting the evaluation.

Internal Control Program Execution

During FY 2007, DeCA undertook a comprehensive overhaul of the Internal Control Program (ICP). Prior to 2007, DeCA's ICP consisted of two sets of tasks. First were the Management Control Review Checklists, which were contained in most DeCA directives and were completed annually by the Assessable Unit Managers (AUM). The checklists were a list of questions about whether or not specific controls were being exercised or not. The responses were either yes, no, or the question was inapplicable to the assessable unit. The manager completing the checklist was required to test the control before responding to the question, but no evidence was submitted for review. Second, each AUM was responsible for producing an independent statement of assurance. The responses to the checklists and the individual statements of assurance were then rolled into the one DeCA statement for submission to DoD.

DeCA's new approach is based primarily on our success in our first year implementation of the OMB A-123, Appendix A requirements. DeCA continues to be a leader in stewardship of the taxpayers' dollars, as exemplified by our Appendix A efforts and our five consecutive clean audit opinions.

With the advent of Appendix A, it was immediately clear that we had a very powerful tool for evaluating the effectiveness of internal controls across the enterprise, not just our financial controls. We consider our ICP to be one program with two processes, our overall process and our Appendix A process. By aligning the two processes to work in a very similar way, we took advantage of common management and maximized the ability of the program to function as a tool for cultural change. For our overall process, we adopted and modified the Appendix A deliverable model to fit our organizational needs. By eliminating the checklist and statement of assurance system and replacing it with the new system described herein, DeCA will be able to give the same level of reasonable assurance to the Secretary of Defense with more specificity, management involvement, and accuracy, with a significant reduction in time and effort. These improvements translate to reduced cost.

The Agency has also begun coordination of updated policies and procedures outlining the requirements of this new system for evaluating the effectiveness of our internal controls. The continued oversight of the program by our Senior Assessment Team (SAT) ensures the appropriate amount of attention to the program and its goals. The SAT is chaired by the Chief Financial Executive, and staffed by leaders from each of our directorates.

Figure 1: New Assessable Units

DeCA Assessable Units	
Contracting (AM)	EDW (PME)
Legislative Liaison (LL)	Facilities (PMF)
IT Policy (CI)	Help Desk (PMH)
Operations Business Group (DOB)	Infrastructure (PMI)
Facilities Programs & Construction (DOC)	Field Assets (Far East)(PMK)
Facilities Sustainment (DOF)	Field Assets (European)(PMU)
Logistics (DOL)	Operational Systems (PMO)
Plans (DOP)	Program Control (PMP)
Office of Equal Employment Opportunity (EE)	Support Systems (PMS)
Training (HRE)	Workforce of the Future (PMW)
Human Resources Operations (HRO)	Systems (PS)
Employee and Labor Relations (HRR)	Resale Contracting (PSC)
Staffing and Classification (HRS)	Semi-Perishables (PSM)
HR Field Office (HRF)	Perishables (PSP)
Office of the Inspector General (IG)	Special Projects (PSS)
Office of Internal Audit (IR)	Internet Sales/Systems and Distribution (PSV)
Corporate Communications (OC)	Productivity Improvement (RMB)
Health, Safety & Security (HS)	Manpower and Performance (RMB)
Programs (PMA)	General Counsel (GC)
Systems Engineering (SE)	Corporate Planning (XP)

New Assessable Units

Our first significant challenge was redefining our assessable units and reporting categories. Prior to FY 2007, DeCA had 91 separate reporting categories which were loosely related to the 15 DoD internal control reporting categories.¹ The Agency now has 40 reporting categories that are closely aligned with the DoD functional categories and based on our functional organization (see figure 1). The individual responsible for each functional area is the AUM with the exception of the store level activities. We must emphasize that this list will continue to change along with the organization so that at all times we are reporting in a way that best reflects our current structure.

Internal Controls in the Commissaries

Our approach to the issue of how to integrate our stores into the new system of internal control was based on our requirement to not create redundant processes for validating the effectiveness of controls across the enterprise. DoD Instruction 5010.40, January 2006, paragraph 6.1.4.1 states that the evaluation "process should maximize the use of already existing management assessment or evaluation data and, when possible, minimize the creation of separate processes solely for the execution of the [Manager's Internal Control (MIC)] program." The solution was to maximize use of the existing Inspector General (IG) inspections at the stores. The IG will conduct 41 unannounced Commissary Compliance Inspections (CCI) by the end of FY 2007.² This represents 16 percent of our stores.

In order to further our control assessments at the store level, beginning in FY 2008, DeCA's zone managers will be responsible for completing a CCI at 25 percent of the stores each year. The zone managers will select stores that have previously been inspected by the IG in order to avoid duplication of effort while maintaining the integrity of the IG's inspection process. This will dramatically increase our confidence in the internal controls at the store level by accounting for every store in each 4-year cycle. The use of the CCI by the zone managers is intended to reduce redundancy or conflicting standards for the stores. If our store directors know they will be inspected by either their zone manager or the IG on the same set of standards, they will conform to that standard.

Assessment Process

The ICP is comprised of three parts, the Risk Analysis, the Control Analysis, and the Corrective Action Plan (CAP). Considering that we were implementing this new program across the enterprise, we chose to focus on the Risk Analysis and CAPs for FY 2007, with the addition of the Control Analysis in FY 2008. Pacing the implementation of the new program is essential to ensuring that all AUMs and process owners are comfortable with the concepts of risk analysis prior to being required to conduct testing and evaluation of their controls. Conducting the additional testing in FY 2008 in no way affects the validity or reasonableness of our assertions of our control environment for FY 2007. We are confident that the new Risk Analysis alone is a more robust form of evaluation, further strengthened by the Control Analysis and the CAPs.

¹ The 15 functional categories are listed in DoDI 5010.40, "Managers' Internal Control (MIC) Program Procedures", January 4, 2006, enclosure 3, "Internal Control (IC) Reporting Categories"

² For more information on the IG inspections see the "Inspector General" section on page 11

Risk Analysis

The first step for the above store level processes is the execution of a Risk Analysis, which is similar to those performed for Appendix A.

Under the old checklist system, significant time and energy was expended on the evaluation of internal controls that were not central to ensuring the efficiency and effectiveness of DeCA operations. Under the new process, managers must identify the most significant risks to the successful completion of that unit's mission. For each risk there will be an evaluation of the inherent risk level. This

Figure 2: Evaluating Inherent Risk

	Activity	Risk	Likelihood	Impact	Inherent Risk
1	Operations Training	Conflicting opinions as to training content will impede the efficient content approval process necessary to deliver training	5	3	High
2	Operations Training	Lack of funding or personnel will impede the Center for Learning's (CFL) ability to meet the defined training needs for the Agency	5	3	High
3	Operations Training	Process for "filling seats" will not adequately provide training to those employees who need it	4	3	High

inherent risk level (either high or low) is based on management's evaluation of the likelihood of the risk occurring and the impact of that occurrence on the ability of the activity to accomplish its mission. In figure 2, you will see the different activities listed, the risks associated with each activity, the evaluation of the likelihood and impact, and the resulting inherent risk level.

The evaluation of likelihood and impact are based on a simple scale of 1 to 5, 1 being the lowest, and 5 being the highest. Any combination of likelihood and impact that adds to greater than six is rated as a high inherent risk. Once the inherent risk level is evaluated, the managers must then identify the key internal controls that mitigate those risks. We have established a template for the definition of an internal control, shown in figure 3.

Figure 3: Internal Control Template

HOW OFTEN (daily, weekly, etc.)
 WHO (position title)
 DOES WHAT (compares, reviews, etc.)
 TO WHAT (document, checklist, etc.)
 TO ENSURE (accuracy, proper authorization, etc.)

Defining the internal controls currently in place is one of the most important parts of the evaluation system. In figure 4 you will see several examples of how the internal control template is applied to different controls. The managers then evaluate whether the internal control is adequately designed or adequately mitigates the stated risk, establishing a

Figure 4: Evaluating Controls

Internal Control Currently in Place (ICIP)	Risk Mitigated?	Control Risk	Internal Control Test Method Used
When a course is created, a team is formed to design content to ensure that all stakeholders are included	Yes	Low	Re-performance
Continuously, CFL identify and implement "alternative" methods of delivering instruction, to include Web-based and satellite based	Yes	Low	Re-performance
Continuously, CFL tracks percentage of available seats compared to number of seats filled in order to ensure the maximum number of participants in each training event	Yes	Low	Inspection

control risk level (either high or low). If the manager knows that a particular control is not working, the manager will state that the internal control currently in place has a high control risk. If a high control risk is found during the evaluation, the manager will be responsible for initiating a CAP (see figure 5) instead of testing the control. This process eliminates the need for excessive testing when the manager already knows there is a deficiency. For those controls that management rates with a low control risk, they will then identify the test method they will employ to verify that the control is working effectively. A completed risk analysis can be seen in figure 6.

Figure 5: Corrective Action Plan

Date Initiated:		POC Name:	DOLP manager	Control Number
Date Last Updated:		POC Phone:		CAP-ETO-1a(2)-06
Process Name:	Equipment Transfer Out			
Risk:	Posting of transfer out for sale, disposal or redistribution outside of Agency may not occur			
Internal Control Currently in Place:	Not less than quarterly, DOLP (Property Accountability Branch) supply technician reviews over aged reports for directed dispositions to confirm that transfers out have been posted			
Test Results:	2,993 equipment items designated as excess or beyond repair were still not sold or disposed of 120 days past the date of identification. Total number of equipment items designated as excess or beyond repair was 4,896.			
Corrective Action		Milestones w/ Completion Date		Status
Dedicated team from DOLP will work with stores to reduce amount of excess equipment		Progress will be evaluated by end of 1st quarter, FY 2007		From May, 2006 to December 2006, number of excess equipment items in stores reduced from 4,896 to 2,915. Support to stores is on-going and has been incorporated into normal operations. Control is determined to be operating effectively.
Stakeholders:	Process owner, region directors, store directors and any other major hand receipt holders (MHRH) in DeCA, supply technicians in DOLP			
Comments:	Corrective action plan completed and closed with SAT approval on December 5, 2006.			

Figure 6: Complete Risk Analysis

Activity	Risk	Likelihood	Impact	Inherent Risk	Internal Control Currently In Place (ICCP)	Risk Mitigated?	Control Risk	Internal Control Test Method Used
1	Operations Training Conflicting opinions as to training content will impede the efficient content approval process necessary to deliver training	5	3	High	When a course is created, a team is formed to design content to ensure that all stakeholders are included	Yes	Low	Re-performance
2	Operations Training Lack of funding or personnel will impede the Center for Learning's (CFL) ability to meet the defined training needs for the Agency	5	3	High	Continuously, CFL identify and implement "alternative" methods of delivering instruction, to include Web-based and satellite based	Yes	Low	Re-performance
3	Operations Training Process for "filling seats" will not adequately provide training to those employees who need it	4	3	High	Continuously, CFL tracks percentage of available seats compared to number of seats filled in order to ensure the maximum number of participants in each training event	Yes	Low	Inspection
4	Operations Training The quality of training will not be consistent resulting eventually in poor performance	3	3	Low	For each course, CFL utilizes an automated course evaluation tool in order to better track effectiveness of training	Yes	Low	Inspection
5	Leadership Training Lack of funding or personnel will impede the CFL's ability to meet the defined training needs for the Agency	3	3	Low	Continuously, CFL identify and implement "alternative" methods of delivering instruction, to include Web-based and satellite based	Yes	Low	Re-performance
6	Training Support The inability for all store personnel to have access to Web-based training will prevent the stores from getting required training timely and cost efficiently	3	3	Low	Current DeCA infrastructure and processes do not support efficient delivery of Web-based training to all stores	No	High	Corrective Action Plan

Control Analysis

The next step in the ICP is the testing and analysis of the effectiveness of internal controls. Figure 7 below is an example of a completed Control Analysis. The risks and controls from the Risk Analysis are mapped to the Control Analysis. The rest of the form consists of four additional columns. The first is the description of the control operations test. This is a short description of how the AUM will test the effectiveness of each control. This column is followed by a simple yes or no answer as to whether the control was found to be effective. The answer to this question automatically populates the next column which indicates the risk level of the control after testing. Only low control risk controls are tested so the risk level will either remain low or be rated as high and require a CAP. The last column is for reporting control operation test results. This block should give a short statement as to how many samples of the control were tested, how many were correctly applied, and whether or not these results equate to an effective or ineffective control.

Figure 7: Control Analysis

	Activity	Risk	Internal Control Currently in Place (ICPIP)	Description of Control Operation Test	Control Operation Effective?	New Risk Level	Test Results
1(1)	Safety Visits	Actual or potential hazardous conditions or work practices will not be identified and injury to persons or damage to property may result	Annually, activity visited by professional safety and occupational health personnel to address specific problems which adversely affect safe operations	Verify documentation of all visits to ensure issues were addressed	Yes	Low	Documentation revealed that all required visits were conducted; IC is operating effectively
1(2)	Safety Visits	Actual or potential hazardous conditions or work practices will not be identified and injury to persons or damage to property may result	"Notice of Unsafe or Unhealthful Working Condition," DeCA Forms 30-68 completed and posted as required	Inspection of store and headquarters locations requiring DeCAF 30-68 to be posted	Yes	Low	Out of 30 locations inspected, only 2 did not have the form posted; IC is operating effectively
1(3)	Safety Visits	Actual or potential hazardous conditions or work practices will not be identified and injury to persons or damage to property may result	Written response to the visit report completed detailing corrective actions with a copy forwarded electronically to the region	Verify completion of all reports and communication to the regions to ensure issues were addressed	Yes	Low	Reports were completed and forwarded to the regions for all visits conducted; IC is operating effectively
1(4)	Safety Visits	Actual or potential hazardous conditions or work practices will not be identified and injury to persons or damage to property may result	Monthly, the responsible official for each activity conducts spot safety inspections and documents the results	Verify documentation of all inspections to ensure they were conducted timely	Yes	Low	All inspections conducted were properly documented; IC is operating effectively
2(1)	Education and Training	Lack of safety information and knowledge may result in injury to persons or damage to property	All personnel given Safety & Occupational Health (S&OH) training appropriate to their positions, training documented on DeCA Form 30-72, Employee Safety and Health Record	Inspect list of personnel required to have S&OH training to training documentation to ensure all personnel have been properly trained and the forms are properly maintained	No	High	Of the 50 employees required to have S&OH training, 22 did not have a DeCAF 30-72; IC is not operating effectively; Corrective Action Plan will be initiated
2(2)	Education and Training	Lack of safety information and knowledge may result in injury to persons or damage to property	Quarterly, the head of each department or section ensures safety meetings are conducted with minutes of meetings published and attendance at meetings documented	Inspect documentation of meeting attendance and minutes to ensure compliance with requirement	Yes	Low	IG Reports --- verifies that all stores inspected complied with the requirement to hold safety meetings and document attendance

For controls that have been tested by another DeCA entity, such as the IG, Internal Audit, or our external auditors, the results from those findings may be used instead of having to complete a redundant test. The goal of these forms is to integrate all information available from entities conducting testing in the Agency, augmented by the additional tests conducted by management, to give a comprehensive picture of the state of each assessable unit's internal controls.

Corrective Action Plans

Once a control deficiency has been discovered, either in the risk analysis phase or as the result of a control failing its operation test, the implementation of a CAP is mandatory. In our experience, the solution of a problem can often take on life of its own absent strict standards for resolution. DeCA will be using precisely the same CAP format for our overall program as we use in Appendix A. The example provided (see figure 5) is one of the corrective actions we implemented for property accountability.

The CAP requires the AUM responsible for the control deficiency to establish:

- An individual responsible for the area where the deficiencies were found;
- A detailed plan to correct the deficiency;
- Milestones and a projected completion date; and
- Status of the solution at each milestone.

The absence of one of these four factors leads to failure when attempting to correct problems. In addition to the responsible manager reporting the status of the solution to the AUM, the AUM must also keep the Senior Assessment Team apprised of their progress. This level of reporting and accountability creates visibility of an issue to our senior managers that was often lacking in the former paradigm.

Training

As with any new concept that is introduced in an enterprise of this size, the training of the responsible managers and the Agency as a whole is extremely important to the program's success. Our ICP manager has briefed all senior executives, senior managers, region directors, zone managers, external auditors, and the headquarters element on the features and benefits of the new program. In the Agency's largest single training event of the year, the DeCA ICP manager, preceded by the DoD MIC program manager Ms. Peggy Johnson, briefed over 550 employees from the DeCA headquarters. We want to emphasize that our program manager personally briefed each of the Agency's senior leaders to ensure that the program had their complete support. Without their leadership and commitment, our new program would not have been possible.

Once the individual training was complete, all training materials and sessions were made available to all DeCA employees through our Web site DeCA.mil. We also transferred the online training to DVD and distributed it to every store worldwide. The entire presentation was narrated to ensure that the employees in the field got the same benefit as our folks who attended the session at Fort Lee.

Our ICP page also contains the "Check It" campaign videos distributed by the Office of the Under Secretary of Defense (Comptroller). In addition to the internal control training material, we published multiple links to external sources of additional information for those managers that wanted to learn more about the program or internal control in general. Training on the program will continue to be an annual requirement for all DeCA employees and each year will feature a

new focus for the program. Our goal is to continue to emphasize this program's role as a change agent, bolstering our ability to grow and adapt.

DeCA's BEST

Once DoD launched the "Check It" campaign, we decided to do the same for our employees by designing a program that brought the message directly to them. Using the "Check It" posters as a model, our ICP manager developed the "DeCA's BEST" campaign. The campaign focuses on the relationship between good internal controls and an increased level of customer service.

DeCA's unique mission provides our employees an opportunity to directly touch the lives of our men and women in uniform, their families, and our retirees by providing the premiere military benefit. The slogan for the campaign is, "They're doing their BEST for us, are we doing our BEST for them?" Our employees' commitment to our customers often goes above and beyond our wildest expectations, because they know our patrons deserve nothing less. This campaign acts as a daily reminder that an effective internal control environment is one in which we constantly strive to do the job the right way, every day. The following are examples of the "DeCA's BEST" campaign posters.

• **Discipline**

• **Enthusiasm**

• **Commitment**

• **Attention to detail**

**They're doing their
BEST for us.
Are you doing
your BEST for them?**

DECA'S BEST
THE RIGHT WAY. EVERY DAY.

CHECK IT
what gets checked, gets done



...and you think you're stressed out?

They're doing their BEST for us.

Are you doing your BEST for them?

DECA'S BEST
THE RIGHT WAY. EVERY DAY.

 **CHECK IT**
what gets checked, gets done



Even your worst day at DeCA wasn't as bad as Basic Training.

They're doing their BEST for us.

Are you doing your BEST for them?

DECA'S BEST
THE RIGHT WAY. EVERY DAY.

 **CHECK IT**
what gets checked, gets done

Inspector General

The IG plays a vital role in the validation of the effectiveness of internal controls within the Agency. They are the front line investigators responsible for establishing that the internal controls at the store level are adequately implemented and monitored. There are two types of inspections the IG conducts: the unannounced CCI and the Staff Assistance Compliance Inspections (SACI).

The CCIs are designed for commissaries where risk assessment indicators show that the activity would benefit from an inspection; where a follow-up inspection is needed based on prior inspection results or recent events; or when nominated by the DeCA leadership. The CCI checklist that assesses a commissary's internal controls was updated as of December 11, 2006. The CCI checklist is reviewed and updated at the beginning of each year.

The SACI are based on requests from the Director, Chief Executive Officer, Chief Operating Officer, region directors, deputy directors, or zone managers. These inspections are conducted like a CCI but are offered in lieu of a CCI. For example, a SACI may be requested as announced or unannounced when a new store director is scheduled to report or has recently reported to a commissary. The SACI is designed to help the new store director baseline his or her commissary, central distribution center, or Central Meat Processing Plant and establish goals and priorities. Specific or system-wide issues may be analyzed requiring research and site visits to conduct evaluations and collect data. These reviews/evaluations are generally narrower in focus. They are designed to target high risk, known, or suspected problems with processes (e.g., purchase card or inventory accountability) with the final report going to the process owner, Director, Chief Executive Officer, and Chief Operating Officer. Often, these inspections are conducted at the direction or request of the senior leadership.

IG inspectors and evaluators adhere to the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency for all inspections and evaluation work.

Internal Audit

The Office of Internal Audit performs a multitude of professional audit services at headquarters, region, and store-level. Their focus is to perform audit services that:

- Improve the commissary benefit;
- Decrease costs without diminishing the benefit; and
- Evaluate the significant, long-term, or systemic issues that are crucial to mission performance or that pose a risk for fraud, waste, or abuse.

In addition to providing internal audit services, they serve as the primary liaison for all external audits conducted by the Government Accountability Office (GAO) and the Department of Defense Inspector General.

To develop their internal audit plan, they solicited audit topics and suggestions from DeCA directors and staff office chiefs, regions, stores, and the Management Oversight Committee of the Commissary Operating Board. They also generated audits internally based on:

- DeCA's strategic plan and direction;
- Management-identified control risk;
- Emerging issues; and
- Audit entity files.

In addition to the audit suggestions and the internally generated audits, the plan includes follow-up audits which are required by the GAO Comptroller General of the United States.

FY 2007 Audit Plan

Audit Title	Audit Objectives
TDY Costs	Is TDY directed and accomplished in the most cost effective manner and are internal controls in place and operating?
DERMAS Savings	Can manpower savings be achieved as a result of implementing DERMAS?
Construction Program Management	Are construction projects effectively managed?
Vendor Stocking	What is the cost impact to DeCA if vendor stocking services are not provided?
Case Lot Charge Card Procedures	Are charge card procedures adequate during Case Lot and Truckload sales?
Accounts Payable/Unliquidated Obligations	Are accounts payable and unliquidated obligations for the DeCA Working Capital Fund and the Surcharge Collection Fund effectively managed?
Property Accountability of IT Equipment	Is IT equipment effectively managed?
Intermittent/Part-time Employees Schedule	Is the intermittent/part-time employee program effectively implemented?
Unit Cost Methodologies	Does DeCA have an adequate and consistent methodology to capture data elements to calculate unit costs?
Europe/Far East Laydown	Does the Europe/Far East laydown include all costs and factors to determine the most effective methodology to accomplish the mission?
Recruiting Process	Is the recruiting process effective and timely?
Follow-Up FY 2004-2006	Have recommendations made by the Internal Audit Office during FY 2004-2006 been implemented, and have the corrective actions fixed the problems?
Workload Survey DeCA Budget	Obtain an understanding of DeCA's budget and identify areas that require audit attention.

Workload Survey DeCA MOUs/MOAs	Obtain the scope of DeCA’s MOUs and MOAs and identify areas that warrant audit.
Workload Survey— Contracts	Obtain the scope of DeCA’s contractual agreements and identify areas that warrant audit.
External Peer Review	Ensure auditors adhere to Comptroller General government auditing standards.

Lean Six Sigma

One of the most exciting new developments in DeCA's ICP is the intersection of our risk management system with our process improvement efforts. As noted above in the section on Corrective Action Plans, each control deficiency requires a solution. Some control deficiencies may simply be the result of a control that is not being properly implemented. Many others will be the result of a fundamental problem with the business process. This is where Lean Six Sigma can best be applied. There are many tools available to the Agency's Lean Six Sigma Black Belts that would prove invaluable to the AUM struggling with internal control issues that are tied to inefficiencies or inaccuracies in their business processes. Through short improvement projects known as Kaizen events, or if a systemic process issue arises, a full-blown Black Belt project, serious internal control issues will be addressed with the appropriate amount of attention and expertise that will ensure a timely and effective resolution of internal control deficiencies.

Additionally, as the AUMs revise and update their policies and procedures, high impact, high risk business processes that would benefit from the Lean Six Sigma tools will be identified and made candidates for improvement.

This intersection of programs works in both directions. As the Agency's Black Belts improve processes, the improvements can immediately be integrated into the assessable unit's risk and control analyses. This constant growth in the maturity of our business processes will only positively contribute to the overall health of the Agency and the increasingly robust nature of our control environment.

Evidence of Control Issues Discovered or Resolved During Reporting Period

Description of Issue: Performance Work Schedule (PWS) Development

Accomplishments:

- Reduced the PWS document development time from 180 days to just under 45 days.
- Site visits (which are a part of the new document development process) increase store management satisfaction with the document and its contents by increasing communication and education. Fresher, timelier data reduces the occurrence of costly contract modifications and shortens negotiation time.
- Even with the added cost of travel, Agency savings are \$1,000 per document developed, for an annual savings of \$34,000 per year.

Description of Issue: Security Controls Review and Testing

Accomplishments:

- In order to meet security oversight and review requirements of Federal Information Security Management Act (FISMA) and the Department of Defense Information Assurance Certification and Accreditation Process, an annual security review and testing process has been put in place, utilizing detailed verification procedures and testing for over 140 security control elements.
- Security control reviews were completed for 20 systems, the UNIX and Windows platforms, and the network review will be completed in August.
- This process improves DeCA's security posture, satisfies compliance issues that significantly raise the Agency FISMA scores, and supports the internal review conducted for the financial systems. Additional opportunities may exist to reduce duplication of effort by utilizing this process to support other internal control or review efforts.

Description of Issue: Equipment Inventory

Accomplishments:

- Through implementation of an automated scanning process, the time to conduct the physical inventories was greatly reduced. Several commissaries were able to complete their inventories in a day.
- The new process greatly enhanced accuracy and reliability of the inventories. The DPAS data history related to an item is immediately accessed when the barcode on the equipment is scanned.
- The overall productivity savings are estimated to be \$264,000 (old process = \$391,000; new process = \$127,000)

Summary

DeCA's ability to deliver the premiere military benefit depends on our efforts to recognize opportunities for improvement and to implement them as fully as possible, as soon as possible. Our wholehearted commitment to the military community that depends on us demands that we continue to look for new and innovative methods to conduct our business. This program is an acknowledgment that internal controls and our systems for testing their effectiveness will continue to be a top priority for the Agency.