

FEDERAL MANAGERS'
FINANCIAL INTEGRITY ACT OF 1982

FY 2008
STATEMENT OF ASSURANCE



Defense Commissary Agency

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) 2008 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 2008, DeCA continued the expansion of our improved Internal Control Program (ICP). Prior to 2007, DeCA's ICP consisted of two sets of deliverables. First were the Management Control Review Checklists, which were found 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 and signing 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 the Secretary of Defense.

DeCA's new approach is based primarily on our success in the implementation of the OMB A-123, Appendix A requirements. Through our Appendix A work and our continued diligence in accurate financial reporting, DeCA continued to raise the bar in stewardship of the taxpayers' dollars, as exemplified by our six consecutive clean audit opinions. Only three other defense agencies have that distinction.

With the advent of Appendix A in FY 2006, 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 within the Agency. 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; and with a significant reduction in time and effort.

New to our process this year is the addition of flowcharts and narratives for each of our key business processes. It is our intent to introduce innovations into our process each year until we reach a significant level of maturity. In FY 2007, we started using a risk and control analysis system similar to the Appendix A process as a proof of concept and found the practice to be very effective. We assessed that we could expand the deliverables to include the flowcharts and narratives without overburdening our AUMs. Our results have been extremely satisfying considering this was the first effort in the Agency to document all of our key business processes.

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 functional process owners from each of our directorates, and

now includes the deputies for each of our three regions. The deputies were added to the SAT to ensure that there was consistent consideration for the store level control environment in addition to increased communication between our Headquarters entities and the field activities.

New Assessable Units

As was the case in FY 2007, DeCA had to take a hard look at how we defined our assessable units and the AUMs for FY 2008. In FY 2007, we defined the units in correlation to our corporate organization. This made the process of defining the managers easier, but proved difficult when trying to clearly define processes. Since our primary goal was to emulate the Appendix A process as much as possible, we had to come up with a system that was more focused on an end product or key output. The Appendix A processes are defined by the lines from our financial statements that exceeded the 1 percent materiality threshold. Absent a clear way to quantify our operational processes in that way, we chose to define what we call key outputs. Each directorate in the Agency has defined roles in terms of supporting our core mission of selling groceries. So we asked our SAT to define for us their key outputs; those products or services that were essential to our ability to provide the benefit to our patrons. Once we couched the question in those terms, our ability to define the processes that directly contributed to those outputs became much easier. The result is 33 AUs all defined by their output and not their place in the organization. The AUs are defined in Figure 1 below.

Assessment Process

The ICP is comprised of four sets of deliverables, the Flowcharts and Narratives, the Risk Analysis, the Control Analysis, and the Corrective Action Plans (CAP). The process of producing each of the deliverables is progressive. Each deliverable builds upon the previous one to create one cohesive body of documentation of each process and its controls. We firmly believe that to clearly understand the role and

Figure 1: New Assessable Units

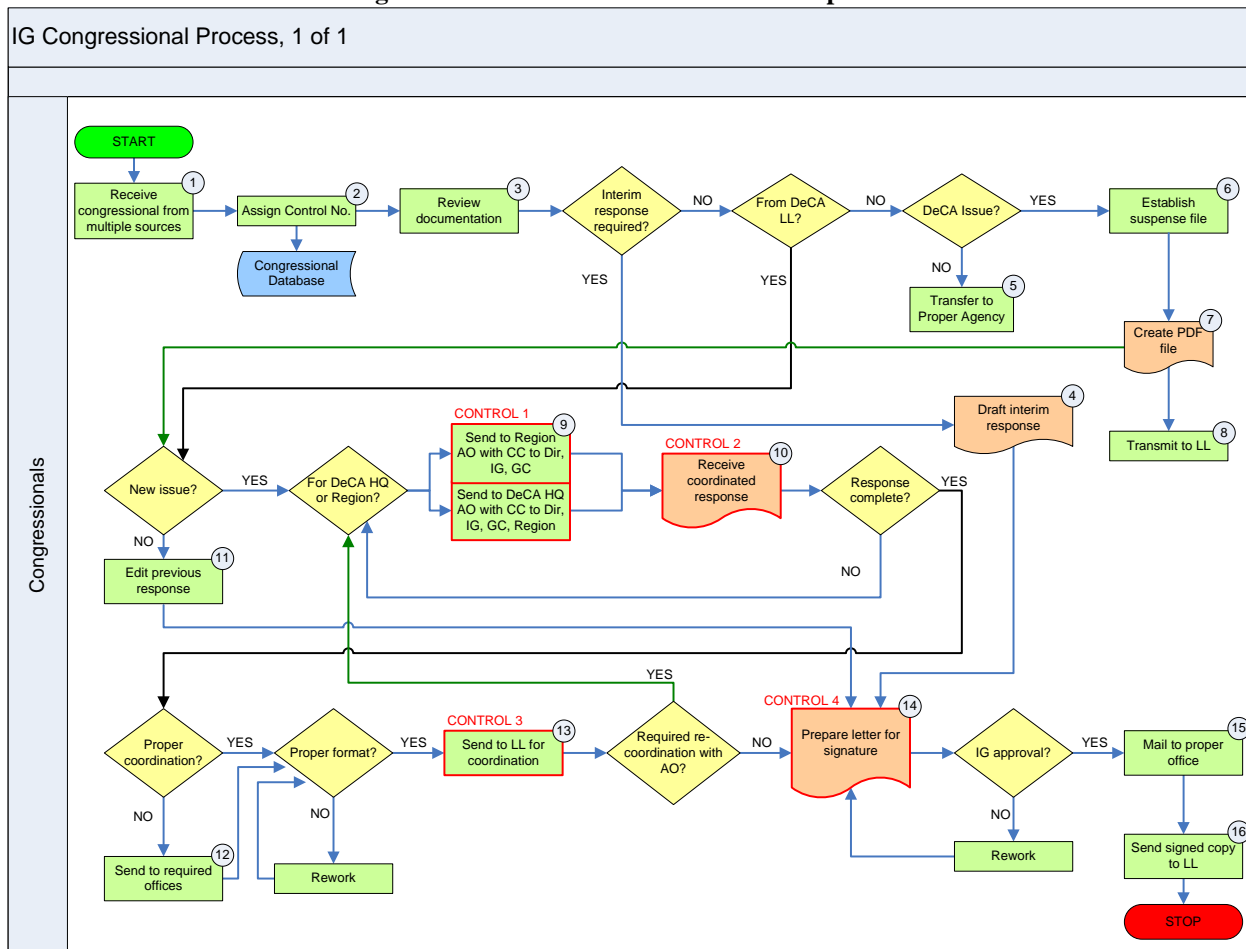
Manpower	Logistics Management
Productivity Improvement	Equal Opportunity Support
Environmental	Legal Support
Store Policy/Procedures	Organization and Process Management
Equipment	Strategic Planning and Management
Facilities	Position Classification
Inspector General Operations	Training Support
Internal Audit Operations	Labor Relations
Enterprise Sequencing	Hiring
IT Planning and Policy	Security
Accreditation and Oversight	Public Health
Desktop Support	Safety
Network Operations Support	Supplies and Services Contract Management
Technical Support	Commercial Activities Contract Management
Operational Systems Management	GPC Program Management
Resale Item Management	Corporate Communication
Resale Contract Management	

effectiveness of any given internal control, an organization must be able to place those controls in the larger context of the process they are a part of. Once a process is defined, our view of what controls are and are not key becomes very different than simply examining those controls in a vacuum of operational risk. Our methodology allows each AUM to look at their controls collectively to assess how they function together to mitigate risk within the larger framework of their business processes, irrespective of what process it is.

Flowcharts and Narratives

In order to effectively define the key controls within a process, you must have a clear picture of that process, at least at a high functional level. The flowcharts document the key steps and decisions in each process and clearly define each of the steps that are key control points. Accompanying each flowchart is a process narrative. It is one thing to have a visual depiction of a process, but absent at least rudimentary explanation of each step, one is left to discern the process from the bullets contained in the process steps. Taken together, the flowcharts and the narratives give us an unprecedented view not only of the key business processes, but the key controls within those processes that help to ensure the tenants of internal control are adhered to. Figure 2 below is an example of our flowchart for Inspector General Operations, followed by its accompanying narrative.

Figure 2: Flowchart and Narrative Example



Defense Commissary Agency IG Congressional Process Narrative

Process: Respond to congressional inquiries

Lead Office: IG

Date: November 19, 2007

1. Congressionals are received in the following ways:

- a. Letter or fax from congressional offices
 - b. Referrals from other agencies, i.e., OPM, EEOC
 - c. DeCA Washington Office (includes OSD taskers, White House Actions)
 - d. Direct from the military Services
 - e. Installation congressional liaison offices
 - f. DeCA regional offices or store directors
 - g. Telephone calls with verbal congressional request
 - h. E-mail
 - i. Other DeCA offices
2. Database is maintained by Fiscal Year (FY) starting with number one. Each contact with a congressional office is assigned a new number. Prior and current year databases are checked for like subject/person/company. If there is a match, the old file is brought forward to keep all information consolidated in one folder.
3. Review of documentation determines:
- a. Whether an interim response is necessary. If it is a DoD suspense and original suspense cannot be met an interim response is prepared.
 - b. If the action came from the DeCA Washington Office
 - c. If it is a DeCA issue
 - d. Which action officer it will be assigned - either the region or the Headquarters
 - e. If it is a new issue
 - f. If a response has previously been prepared for other representatives
 - g. If previous response supplied by IG office answers the mail, edit for new representative
4. Draft interim response, if necessary.
5. If it is not a DeCA issue then determine who it should be transferred to. Contact that Agency's congressional office for their acceptance of the transfer. Next, contact the staffer who initiated the congressional request and inform them that a transfer has occurred. Finally, prepare a formal response to the original congressional request documenting the transfer.
6. After a number is assigned a file is created. Line one of the file label reflects the file number, term Congressional, and control number. Line two contains the name of the representative and the name of constituent. All prior case numbers are listed on the file label in a descending order.
7. Scan documents and create a PDF file. Save PDF file on computer hard drive under "My Documents/PDF - Congressionals." File name is composed of the congressional number and name of constituent for easy retrieval.
8. If it did not come from the DeCA Washington Office, send a copy of the documents to them via e-mail or fax.
9. **Control 1** - Documents are provided to the HQ action officer or the region suspense coordinator who assigns action officer via e-mail or fax. Information copy is provided to DeCA Director, IG, General Counsel (GC), and appropriate region director.
10. **Control 2** - Coordinated draft response is received from action officers. Review for completeness and all required coordination.
11. Edit previous response if necessary.
12. If additional coordination is required send to proper offices.
13. **Control 3** - Send to DeCA Washington Office for coordination. If additional information is required before the DeCA Washington Office coordinates return to action officers for additional work. When coordination has been given return to IG office.

14. **Control 4** - Prepare formal letter for IG approval and signature.
15. Mail to representative's office or constituent's address, as required or requested.
16. Send signed copy to DeCA Washington Office.

Beyond defining our key controls, this documentation will also facilitate any future process improvement efforts. With a current model of each of our key processes readily available, efficiencies are immediately realized when a process improvement project is undertaken. This documentation has already been used by our internal auditors and our systems integration teams to assist in preparation for their own projects, saving them countless hours of redundant work.

Risk Analysis

Once the flowcharts and the narratives have been completed, we then begin defining the risks and controls at each of the control points. Figure 3 shows the first part of the analysis, which evaluates the risk absent the controls or inherent risk. This evaluation uses two very distinct measures, likelihood and impact. Both measures are evaluated on a scale of 1 to 5, with 1 being the lowest, 5 the highest. A mathematical combination of these two numbers automatically populates the field defining the inherent risk level. In the DeCA system, we evaluate risk in a purely binary system of either high or low risk.

Figure 3: Evaluating Inherent Risk

DECA RISK ANALYSIS - FY2008					
Assessable Unit: Office of the Inspector General					
Control Number	Process	Risk	Likelihood	Impact	Inherent Risk
1	Congressional	The Regions or DeCA HQ will not be informed timely of a Congressional inquiry	1	5	Low
2	Congressional	The response is not appropriately coordinated and does not answer the inquiry fully	1	4	Low
3	Congressional	DeCA Legislative Liaison (LL) will not have the appropriate oversight of response	1	4	Low
4	Congressional	Final response will not be appropriately formatted or contain a full response to inquiry	1	5	Low

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 and were rarely specific to a business process. Under the new system, managers must identify the most significant risks to the successful completion of that unit's mission at each of the control points defined on their flowcharts. This has had the effect of both reducing the scope of activities that had to be investigated and focusing our efforts and resources on the most significant of our operational risks. This process has also had the added benefit of forcing managers to think very critically about their operations and what events can cause their efficiency or effectiveness to break down.

Once the inherent risk level is evaluated, the managers must then identify the key internal controls that mitigate those risks. We have established a formula for the definition of an internal control, shown in figure 4.

Figure 4: Internal Control Formula

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 5 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 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 Corrective Action Plan (CAP) (see figure 7) instead of testing the control. This process eliminates the need for excessive testing when the manager already knows there is a control 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 for the control points listed in the flowchart above can be seen in figure 5 below.

Figure 5: Complete Risk Analysis

DECA RISK ANALYSIS - FY2008									
Assessable Unit: Office of the Inspector General									
Control Number	Process	Risk	Likelihood	Impact	Inherent Risk	Internal Control Currently In Place (ICCIIP)	Does the ICCIP mitigate the stated risk?	Control Risk	Internal Control Test Method Used
1	Congressional	The Regions or DeCA HQ will not be informed timely of a Congressional inquiry	1	5	Low	Once a Congressional inquiry is received, IG Analyst releases the inquiry to the Region or HQ within 2 days	Yes	Low	Inspection
2	Congressional	The response is not appropriately coordinated and does not answer the inquiry fully	1	4	Low	Once the response is received, IG analyst reviews the response to ensure the proper coordinations took place and that the response adequately answers the inquiry	Yes	Low	Inspection
3	Congressional	DeCA Legislative Liaison (LL) will not have the appropriate oversight of response	1	4	Low	For all congressional inquiries, IG analyst forwards the coordinated response to LL to ensure they have the opportunity to review prior to release	Yes	Low	Inspection
4	Congressional	Final response will not be appropriately formatted or contain a full response to inquiry	1	5	Low	For all congressional inquiries, IG reviews and signs the response to ensure that all requirements have been met	Yes	Low	Inspection

Control Analysis

The next step in the ICP is the testing and analysis of the effectiveness of internal controls. Figure 6 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 6: Control Analysis

DECA CONTROL ANALYSIS - FY 2008							
Assessable Unit:							
Assessable Unit Manager:							
Control Number	Process	Risk	Internal Control Currently In Place (ICCP)	Description of Control Operation Test	Control Operation Effective?	New Risk Level	Test Results
1	Congressionals	The Regions or DeCA HQ will not be informed timely of a Congressional inquiry	Once a Congressional inquiry is received, IG Analyst releases the inquiry to the Region or HQ within 2 days	Reviewed 10 congressional folders for action tracker or e-mail showing when congressional was forwarded for action from IG Office. More than 1 exception will result in control failure	Yes	Low	No exceptions. Control Effective
2	Congressionals	The response is not appropriately coordinated and does not answer the inquiry fully	Once the response is received, IG analyst reviews the response to ensure the proper coordinations took place and that the response adequately answers the inquiry	Reviewed 10 congressional folders to ensure coordinations were complete and responses adequately answered the inquiry. More than 1 exception will result in control failure	Yes	Low	No exceptions. Control Effective
3	Congressionals	DeCA Legislative Liaison (LL) will not have the appropriate oversight of response	For all congressional inquiries, IG analyst forwards the coordinated response to LL to ensure they have the opportunity to review prior to release	Reviewed 10 congressional folders for action tracker or e-mail showing when congressional was forwarded to LL Office for coordination. More than 1 exception will result in control failure	Yes	Low	No exceptions. Control Effective
4	Congressionals	Final response will not be appropriately formatted or contain a full response to inquiry	For all congressional inquiries, IG reviews and signs the response to ensure that all requirements have been met	Reviewed 10 congressional folders to ensure IG signed and answers were adequate. More than 1 exception will result in control failure	Yes	Low	No exceptions. Control Effective

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 7) is one of the corrective actions we implemented for IG complaints.

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.

Figure 7: Corrective Action Plan

Internal Control Corrective Action Plan			
	March 25, 2008	POC Name:	
Date Last Updated:	March 25, 2008	POC Phone:	
Process Name:	IG Complaints		
Risk:	Corrective Action will be taken by the referral office responsible for the action, and they do not inform the IG Office of the results.		
Internal Control Currently in Place:	Every 3 years, IG office reviews referral actions to ensure action that was supposed to happen, happened.		
Test Results:	The review indicated that actions were taken and not reported to IG office.		
	Corrective Action	Milestones w/ Completion Date	Status
	New Form which includes suspense date will be sent with each complaint and it will be required to be returned to the IG office if action was taken. If no action was taken the case will be closed on suspense date. This mirrors the process of the DoD IG	1-Oct-08	Form is being developed and approved and SOP is being updated to reflect new procedures.
Stakeholders	Selecting Officials that need to know of adverse actions.		
Comments			

Internal Control 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 and an already existing system of IG inspection preparation. The IG will conduct 39 unannounced Commissary Compliance Inspections (CCI) by the end of FY 2008.¹ This represents 15 percent of our stores.

In order to improve our control assessments at the store level, beginning in FY 2008, each of DeCA's stores will begin using a best practice for IG inspection preparation discovered during an internal control evaluation at one of our commissaries. The internal control team evaluated the IG Commissary Compliance Inspection checklist and realized that the IG had already well defined the key internal controls at the store level, and that each of our commissaries was required by DeCA policy to systematically prepare for IG inspections.  The best practice observed was a simple technique for maintaining all of the required paperwork that is gathered during the inspection. This technique had the added effect of requiring the department and store managers to constantly review their documentation of their key controls. The stores with this practice in place for FY 2008 have had some of the most effective and efficient processes in the Agency as evidenced by the highest IG scores to date. The DeCA Director established a policy that this practice would be phased into at least 25 percent of all of our stores for each of the next four years to ensure that the stores were not overburdened with implementation, but maintained a significant number of evaluations to be able to support our statement.

¹ For more information on the IG inspections see the "Inspector General" section on page 11

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. 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.

The training for the migration to the Appendix A methodology for the overall internal controls actually began early in 2007, when all Headquarters staff was assembled in the post auditorium and trained on the concepts of process documentation, risk assessment, and testing as a means of assessing the effectiveness of controls in place to mitigate the identified risks. The staff was told that by the end of FY 2008, all internal control assessment for the Agency would utilize this methodology and that it would involve all employees. The general feedback to the training was that it was "interesting and made sense."

In the first quarter of FY 2008, the Agency began the transition to Appendix A methodology. Each of the AUMs and their subject matter experts were trained by the internal control support team in one-on-one sessions explaining the entire system and facilitating the creation of their first deliverables, which were process flows and narratives. This methodology was extremely time-consuming on the part of our small team, but proved very effective. Each of our assessable units had discussions about their control environments and the particular challenges faced as a result of their mission responsibilities. More than one member of an assessable unit commented that "they remembered some of this process from last year's training and that it made even greater sense now that it was being applied to their own functional area."

A draft regulation was prepared and staffed following these training sessions and templates were developed to facilitate the identification of risks, controls, and test plans for each of the assessable units. Additional one-on-one sessions were scheduled with the AUMs and their stakeholders (now expanded to include those applying the controls) to reinforce the process and to generate additional discussion on vulnerabilities, controls in place, and tentative testing plans to assess the effectiveness of existing controls. Over 400 employees at DeCA Headquarters were involved in this process, including those who apply internal control over financial reporting.

The training for the stores in early 2007 elicited a near opposite reaction. The general response to the training on Appendix A methodology was "we're already doing this." In retrospect, their reaction made sense as the stores have had their controls tested through site visits by the Agency Inspector General since the formation of the Agency. Many people at DeCA's 259 commissaries worldwide have responsibility for monitoring these controls. The controls can range from the temperature of the meat products sold in the commissary to unannounced cash counts to control of keys for physical access to the facility. Some of the controls are constantly monitored for health and safety reasons and others are monitored to ensure compliance with the controls as measured by the IG store inspections which are always random and unannounced.

Since the stores are already moving to the end state of Appendix A methodology which is characterized as constant monitoring, the approach to internal control training had to be different. So, in FY 2008, our ICP manager visited multiple stores, CONUS and OCONUS, with various zone managers to learn what the stores had to say about internal control. The result of this “reverse” training was that a best practice was discovered in one of the stores (and used in many other stores in some variation) as a way of monitoring the exercise of controls. The best practice of gathering the paperwork which supports the exercise of controls such as evidence of coupon audits, end of day safe closings, weekly sanitary self-inspections, etc., was described in the section above, “Internal Control in Commissaries.”

Our ICP web page 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. 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.



DECA'S BEST
THE RIGHT WAY. EVERY DAY.

Did you hit your target today?

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

CHECK IT
what gets checked, gets done



How dedicated are you?

DECA'S BEST
THE RIGHT WAY. EVERY DAY.

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

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 21, 2007. The CCI checklist is reviewed and updated annually.

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 2008 Audit Plan

Audit Title	Status
TDY Costs	Report 07-16
DeCA Electronic Records Management and Archiving System (DERMAS) Savings	Delayed to FY 2009—still being fielded
Construction Program Management	Ongoing
Vendor Stocking	Ongoing
Case Lot Charge Card Procedures	Delayed due to higher priority work
Accounts Payable/Unliquidated Obligations	Report 07-13
Property Accountability of IT Equipment	Report 07-18
Intermittent/Part-Time Employees Schedule	Report 07-14
Unit Cost Methodologies	Ongoing
Europe/Far East Laydown	Report 07-12
Recruiting Process	Report 07-11
Follow-Up FY 2004-2006	Ongoing
Workload Survey DeCA Budget	Ongoing

Workload Survey DeCA Memorandum of Understanding (MOU)/Memorandum of Agreement (MOA)	Ongoing
Workload Survey—Contracts	Report 07-19
External Peer Review	Completed, DFAS report

Evidence of Control Issues Discovered or Resolved During Reporting Period

Description of Issue: Property Accountability for Capital Assets

Accomplishments:

- Improved process for supporting documentation for capital assets so that each asset in the Defense Property Accountability System (DPAS) for the \$98 million commissary front end replacement project, CARTS (Commissary Advanced Resale Transaction System), was supporting by actual invoices from the contractor responsible for deployment.
- Property accountability recognized the full cost of the asset including the site preparation and installation costs for equipment and all software development costs incurred during Acquisition Milestones B and C.
- Statement for Director, Internal Audit on May 28, 2008: “We found that DeCA has made dramatic improvement in accounting for capital assets since we conducted a review of capital assets in FY 2002. In FY 2002, we found capital equipment posted in DPAS did not have an adequate audit trail because supporting documentation did not match the DPAS entries. In contrast, today, we found DeCA implemented procedures to ensure supporting documentation is obtained and kept on file to support capital equipment purchases.”

Description of Issue: Coupon Reimbursement

Accomplishments:

- Reduced by 74 percent the value of aged coupons greater than 60 days awaiting reimbursement from manufacturer. Outstanding debt was reduced by nearly \$140,000.
- Engendered dialogue between Coupon Clearing House (CCH) and manufacturers to reinforce principle that DeCA is due reimbursement for coupons validly redeemed by commissary patrons and any disputes need to be worked out between CCH who processes coupon redemption and manufactures who provide reimbursement.
- Increased dialogue between CCH and manufacturers had added benefit of reducing age of outstanding coupons as disputes were addressed earlier in process knowing that a resolution would be expected for every valid coupon redeemed.

Description of Issue: Base Operating Support Interservice Support Agreements (ISA)

Accomplishments:

- Lean Six Sigma Team developed an ISA template which is utilized when negotiating new agreements.
- Negotiations with various commands are ongoing to decrease the number of DeCA ISAs through consolidation above the installation level.
- Several installations have used the template to develop their own support agreements with other tenants.
- Use of templates reduced duplication of effort and administrative costs.
- Use of templates increased standardization of corporate requirements.

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.