Defense Logistics Agency

Fiscal Year 2013
Annual Statement of Assurance

TAB A

DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE

AND HOW THE EVALUATION WAS CONDUCTED

The Defense Logistics Agency (DLA) mission is supporting the Warfighter. We are America's Combat Logistics Support Agency. We provide effective and efficient worldwide support to warfighters and our other customers. Our strategic goals are Warfighter Support, Stewardship Excellence, and Workforce Development.

In 2012, DLA identified strategic focus areas to define our principal thrusts: **Warfighter Support**: Deliver agile and responsive logistics solutions to Warfighters, **Stewardship Excellence:** Manage DLA processes and resources to deliver effective Warfighter support at optimal cost, and **Workforce Development:** Foster a diverse workforce, supporting culture and related personnel practices to deliver sustained mission excellence. In 2013, our focus became actions that lay the groundwork for fiscal savings. By focusing on excellence in our daily operations and driving additional transformational change, we are driving warfighters' success. We built our future on a rock solid foundation of past accomplishments and getting out in front of warfighter and fiscal challenges. Our road map to achieve improved support to the warfighter and dramatically reduce cost begins with our highly skilled, diverse, and agile workforce. To succeed our employees have a role and responsibility to implement with enthusiasm, optimism, and we focus on making a difference in the achievement of our goals. Our priorities to significantly improve performance while dramatically reducing cost are: **Decrease Direct Material Costs, Decrease Operating Costs, Reduce Inventory, Improve Customer Service, and Achieve Audit Readiness.**

To accomplish a decrease in direct material costs we developed strategies such as reverse auctions, should-cost analysis, substantial industry partnerships, performance based logistics, and prime vendor contracts to name a few. To decrease operating costs we optimized the global distribution network, enhanced retail industrial support, and incorporated process improvements. Our goal is to clean out the attic and keep it clean. Our successful outcome is based on the right sizing of War Reserves and operational inventory. DLA has reviewed and adjusted strategic requirements, right sized our inventories, leveraged commercial supply chains without redundancy, enhanced Department of Defense Electronic Mall (EMALL), and improved our planning and forecasting accuracy. We are improving customer service and measuring our performance by customer standards. DLA has expanded and strengthened our customer/supplier collaboration and is achieving inventory excellence by buying enough, buying on time, and executing the contract. Another customer focus for DLA is to fix what's not right or doesn't work through communication and feedback. Lastly, to improve performance while dramatically reducing cost, DLA will demonstrate our commitment to transparency and accountability by achieving audit readiness**.** Recognizing that this is an all hands effort, DLA is identifying,

driving and improving opportunities by expanding audit readiness beyond process integrity to process excellence. Our focus is **"Warfighter Support".**

- DLA is comprised of the following organizations:
  - DLA Aviation
  - DLA Land and Maritime
  - DLA Troop Support
  - DLA Energy
  - DLA Disposition Services
  - DLA Distribution
  - DLA Installation Support (DS)
  - DLA Human Resources (J1)
  - DLA Logistics Operations (J3)
    - DLA Central (DLA-C)
    - DLA Europe & Africa (DLA-EA)
    - DLA Pacific (DLA-P)
  - DLA Strategic Plans & Policy (J5)
  - DLA Information Operations (J6)
    - DLA Information Services
    - DLA Document Services
    - DLA Transaction Services
  - DLA Acquisitions (J7)
  - DLA Finance (J8)
  - DLA Joint Reserve Force (J9)
  - DLA Small Business Programs
  - DLA General Counsel
  - DLA Office of the Chaplain
  - DLA Equal Employment Opportunity
  - DLA Office of Inspector General
  - DLA Intelligence
  - DLA Legislative Affairs
  - DLA Strategic Communications
  - DLA Director's Staff Group

DLA's senior management evaluated the system of internal 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 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 our evaluation of whether the system of internal controls for DLA is in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal controls of DLA 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 DLA 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 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.

DLA evaluated the system of internal controls in accordance with the guidelines identified above. The results indicate that the system of internal controls of DLA, 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 DLA evaluated its system of internal controls and maintains sufficient documentation/audit trail to supports its evaluation and level of assurance.

a. **Management Control Testing**: DLA's approach to testing the system of internal controls began with the identification of which key controls in Enterprise business process areas to evaluate. Each Assessable Unit Manager (AUM) utilized his or her assessable unit's Annual Operating Plan (AOP) to determine which sub-assessable units would have the greatest impact on mission accomplishment and the associated risk in these focus areas. Below are examples of how control testing was accomplished:

DLA Information Technology (IT) framework is divided into three categories of service and support: IT Enterprise Business, IT Enterprise Information and IT Development & Operations. The IT framework has 37 processes divided among the three categories. Each process is defined in a Process Control Document (PCD). The PCD provides a general understanding of the relationship of standards and criteria (e.g., policy, process, controls, systems, data, and human capital) that comprise the IT service described. The PCD identifies process and control gaps in efforts to enable efficient and effective business operations that are consistent with current regulatory guidance.

Controls testing in FY 2013 focused on IT Continuity of Operations (COOP) and IT Configuration Management (CM). The IT COOP PCD describes the process by which DLA

performs and governs IT COOP planning to ensure that the IT supports Business Continuity priorities. The IT COOP plan documents the capabilities to recover networks, infrastructure, applications and data supporting mission critical (MC) or mission essential (ME) business functions during service interruptions. The IT CM PCD describes the process which DLA IT performs and governs CM. CM is a process to identify, report, and maintain the integrity of elements of IT services requiring configuration control, including systems, projects, hardware, and software as they evolve through their life cycle.

Each PCD includes a checklist which describes controls relevant to the process. The checklist serves as a tool to assess current business processes and evidentiary matter necessary to achieve good business practices. Controls are critical to manage risks, achieve effective and efficient operations, ensure processes are followed, and provide a method for auditability. Controls are also used to validate whether processes comply with applicable laws, regulations, and policies. The Performance Optimization team (J652) conducted the testing and provided a complete analysis of the DLA IT site responses. Two IT control checklists, CM and IT COOP, were sent to seventeen DLA IT activities for completion. The control count for IT COOP was 30 and the control count for IT CM was 25. The following graphs and tables provide a summary level view of the percentage of responses received.

ISSUED AND COMPLETED CHECKLIST
Percentage of Control Self-Assessments that were received
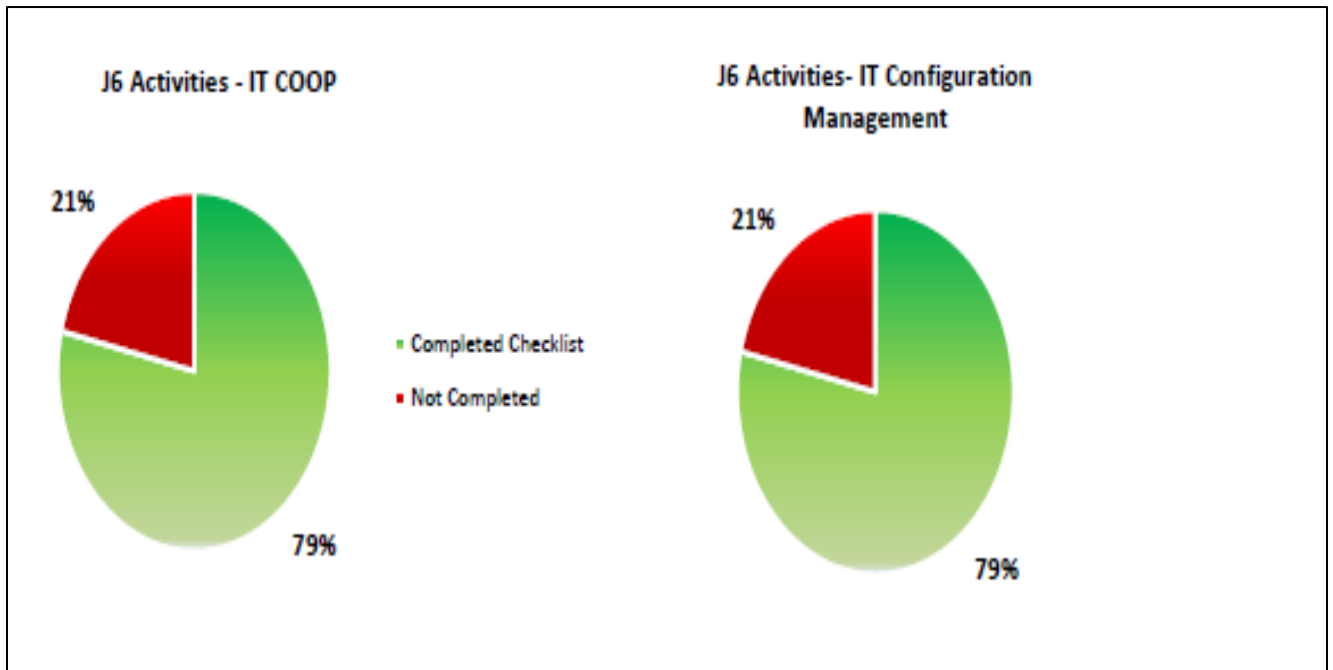
PERCENTAGE OF FULLY IMPLEMENTED CONTROLS OUT OF APPLICABLE CONTROLS
Percentage of fully implemented controls by J6 activities.
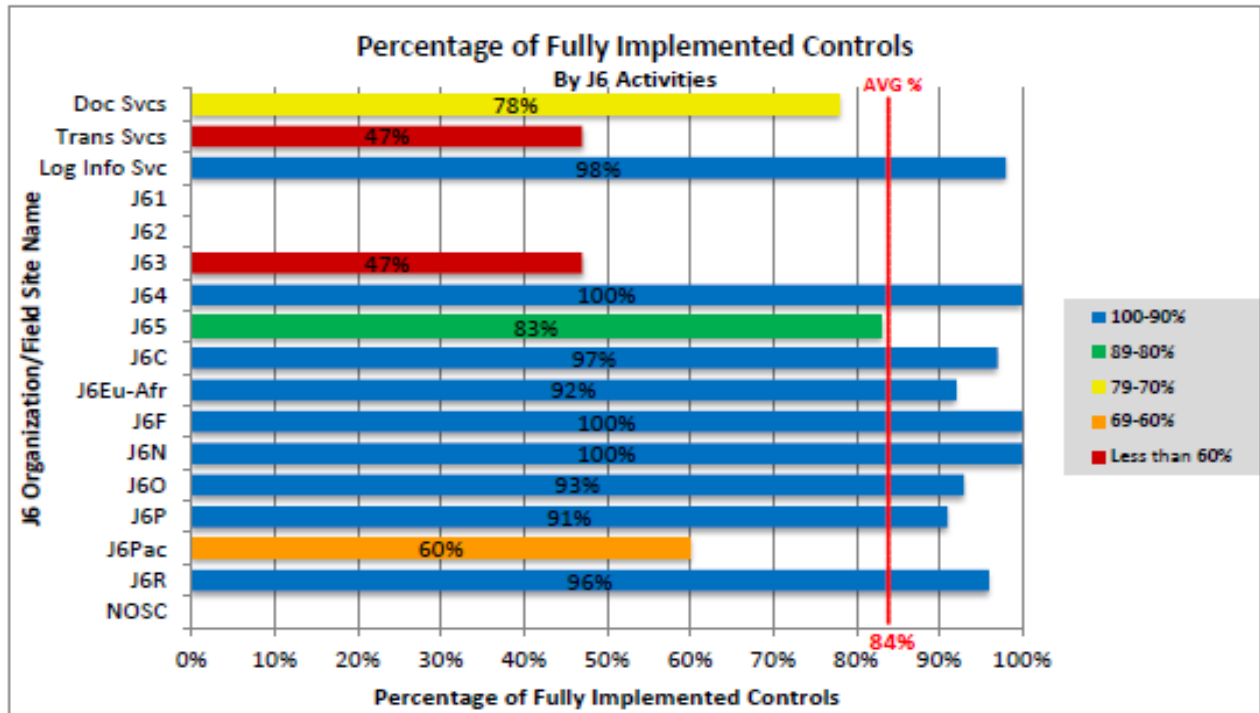
DLA IT organizations/field sites are yielding a 79% return rate on self-assessments. Of the information received DLA IT activities had an average of 84% fully implemented controls. Through the implementation of process evaluation and control testing self-assessments, DLA IT was able to identify areas to increase their total of fully implemented controls. The overall control maturity, as self-reported by DLA IT organizations/field sites and DLA systems, for IT Process Improvement, IT COOP, and IT CM is healthy across most organizations. Further DLA IT was able to identify areas that would benefit from additional education and training.

DLA Finance & Accounting Although most of the financial business processes are evaluated through the internal controls over financial reporting, DLA Finance & Accounting Program Budget Review (PBR) has significant operational elements. The process has not yet been evaluated utilizing Appendix A methodology and internal control testing; however, the PBR process is a disciplined Enterprise effort that commences each year with detailed programmatic guidance. Based on this guidance, a comprehensive program review is performed by senior staff and is supported by an objective business case analysis decision support tool. Governance is provided by Agency executives throughout the process with the Director, DLA, making and documenting final decisions in a formal Decision memorandum. The DLA PBR submission is then briefed to the Office of the Secretary of Defense (OSD) Acquisition, Technology, and Logistics (AT&L) senior executives before official submission to OSD Comptroller. Controls are put in place to provide management with the checks necessary to provide detail, analysis, and completeness of all the aspects of the PBR process.

DLA Energy is responsible for the procurement, distribution, and storage of commercial and military specification fuel. These fuels are procured and distributed in support of the Military Services. Pursuant to General Order 07-06, under the purview of OMB Circular A-123, DLA Energy has implemented a site visit program that focuses on Defense Fuel Support Point (DFSP) compliance with established internal controls that safeguard and account for DLA Energy owned product.

In accordance with OMB Circular A-123 requirements, DLA Energy has identified four key controls for testing at fuel storage and transfer sites (DFSPs): (1) confirmation of signed receipt documents and comparison of receipt documents against the Fuels Enterprise Server (FES) data; (2) physical inventory process at month-end and reconciliation of physical inventory against "book inventory"; (3) product quality testing; and (4) confirmation of signed shipment/sales documents and comparison of shipment/sales document against FES data. An outline of the applicable internal controls and associated risk assessments completed as part of OMB Circular A-123 compliance requirements is as follows:

Event/ Accounting Application	Assertion	Risk	Internal Control Currently In Place
1. Product Receipt/ Receipt Recognition	Completeness/ Rights and Obligations	Receipt of product (additions to inventory) not appropriately recorded; inventory balance misstated	Inventory receipt accurately recorded by fuel operator on appropriate form and accurate reporting in FES reviewed by Responsible Officer/Property Administrator during monthly reconciliation by completely recording data on and signing DD Form 1348-8.
2. Inventory Management/ Physical Inventories	Existence/ Safeguarding of Assets	Operations not effectively supported; inventory not valued appropriately; fraud or waste not detected.	Product physical inventory taken upon receipt, transfer between storage points, at sale to customer, and reconciled to book inventory at end-of-month by completely recording data on and signing DD Form 1348-8.

3. Inventory Management/ Quality Testing	Valuation/ Safeguarding of Assets	Defective product delivered to customers; inventory not valued appropriately	Inventory subjected to quality tests; test results documented on approved forms.
4. Product Sale/Shipment Recognition	Completeness/ Rights and Obligations	Sale/Shipment of product not appropriately recorded; inventory balance misstated	Inventory sale/shipment recorded by fuel operator on appropriate form and accurate reporting in FES reviewed by Responsible Officer/Property Administrator during monthly reconciliation by completely recording data on and signing DD Form 1348-8.

To test the key controls referenced above, DLA Energy performed the activities described below and also included one additional requirement which expanded the scope of the DLA Energy site visit program. Our team has incorporated the Responsible Officer/Terminal Manager/Property Administrator Compliance Checklist from DLA Energy Policy P-7, "Accountability and Custodial Responsibilities for Defense Working Capital Fund (DWCF) Inventory and Government Property." This checklist is intended to provide the Responsible Officer, Terminal Manager, and/or Property Administrator with a guide to general compliance items that should be incorporated into local compliance inspections/internal reviews. DLA Energy P-7 checklist can be found on the US Army Knowledge Online (AKO)/Defense Knowledge Online (DKO) web site and can be viewed or downloaded at: https://www.us.army.mil/suite/designer.

Further, DLA Energy is in the process of completing an Assertion Package for auditability. In connection with this effort and to maximize the benefits of DFSP site visit reviews, two additional objectives related to Assertion Package requirements have been identified:

- First, for the random sample of DFSP receipt and sale transactions selected from the last twelve months of operations, DFSP management was required to provide supporting documentation within a three-day response time.

- Second, in order to address segregation of duties, DFSP management was asked to provide a description of the facility's personnel and their responsibilities related to the operating functions of the site. DLA Energy has been tasked to evaluate effectiveness of the design of this control at the DFSP.

This report is organized according to the following topics:

Site Operations Overview:

- Transaction Documentation – *Inventory Receipts*
- End-of-Month Inventory – *Inventory Account Reconciliation*
- Quality Testing
- Transaction Documentation – *Inventory Sales/Credits*
- Segregation of Duties
- DFSP Management
- Summary of Results

Approximately 630 DFSPs stock DLA Energy's $7.6 billion bulk petroleum inventory. For the FY 2013 reporting period, DLA Energy-DDA performed internal control compliance testing at nineteen locations; twelve visits were to CONUS DFSPs and seven visits were to OCONUS DFSPs. To ensure continued support of the DLA Audit Readiness initiative and the DLA Energy requirement to become auditable, DLA Energy-DDA plans to continue the site visit program and expand its internal control compliance testing to include DFSPs in the Middle East Region in 2014. The following locations were visited from July 2012 through May 2013:

Date	Activity site
Jul 12	NBK Bangor
Jul 12	NS Bremerton
Jul-12	NS Everett
Aug-12	Air Force Academy
Aug-12	MWTC Bridgeport
Sep-12	Little Rock ANG
Sep-12	Pine Bluff
Sep-12	Camp Robinson
Oct-12	MCAS New River
Jan-13	Camp Fuji
Jan-13	Kadena AB
Jan-13	MCAS Futenma
Jan-13	MCAS Iwakuni
Jan-13	MCB Okinawa
Jan-13	Misawa AB
Jan-13	Yokota AB
May-13	San Diego GS/ACU 5
May-13	MCB Pendleton
May-13	MCAB Pendleton

DLA Human Resources' (HR) ability to attract, develop and retain a diverse, highly skilled and agile workforce is vital to our continued mission as America's Combat Logistics Support Agency. Our workforce is highly skilled and committed to meeting the needs of the Warfighter,

but we recognize that there is always an opportunity to improve, particularly in our rapidly changing, global environment. As an example of evaluation of the internal controls environment within DLA Human Resources, they evaluated the Tuition-Assistance Program (TAP). They looked at two risk areas associated within the TAP: (1) enrollment of student/employees in a non- accredited school, exceeding the funding balance within the identified organization and inappropriate course completion, and (2) unauthorized credit card payments, unauthorized convenience checks written, and accounting mistakes leading to improper chargebacks to DLA tuition assistance accounts. HR sampled a population of approximately 2400 tuition assistance requests, sampling 45 applications during the month of May. They identified no discrepancies within the allowed tolerance rate of two errors. Evaluation of the credit card payments and convenience checks written, they sampled three months of the total population of statements for the twelve month period. No failures were identified for the testing period.

DLA Logistics Operations (J3) is responsible for the end-to-end supply chain management of the DLA's nine supply chains, providing logistics and materiel process management policy, guidance, and oversight while conducting continuous assessments of supply chain performance. J3 integrates strategic, operational, and tactical perspectives, and C2 functions for contingency operations and adaptive planning in order to influence the end-to-end logistics supply chain. J3 is the principal strategic, operational, and tactical planner for DLA business operations, championing best business practices, Enterprise Business Systems (EBS), and value-added logistics solutions for the warfighter. J3 oversees Operational Contract Support (OCS), the daily operation of the DLA Logistics Field Activities (FA), and engages DLA HQ Directorates and PLFAs to gather and interpret customer requirements for the Agency. The following information is an example of control testing in the J3 evaluation in the release of protected stock business process managed by the Order Management Division. The Order Management Division identified nine controls to test in the Inventory Management Stock Positioning (ISMP) solution. As part of the DLA IMSP solution, protected levels were set on National Stock Numbers stored at the Air Force Air Logistics Centers (ALCs) to ensure that unauthorized protected level breaches do not occur. DLA has developed a 2-prong process consisting of systematic and manual steps. Within the EBS, a system control alerts the user that issuing stock will "breach" a protected level. This alerts the user of the Protected Level and the specific level being breached (e.g. Aggregate, Industrial, or Point of Use). The user "accepts" the breach and saves the sales order; the change will be noted in the sales order change history. If the user "does not" accept the breach, the sales order will revert back to its prior state. The manual process uses the Customer Relationship Management (CRM) tool to request release of protected material from these storage locations when the stock on hand is below the protected levels. The Order Management Division performed control testing through inspection of reports and CRM tickets. They evaluated nine controls in the process through a monthly review of reports. There were no unauthorized breaches of protected levels and they determined that the existing controls were sufficient and effective.

Office of Inspector General (OIG) leverages audits and investigative expertise to provide DLA leadership with timely facts to make informed decisions that improve efficiency, accountability, and warfighter support. The DLA OIG evaluated the internal audit process and the enterprise hotline program this year. The internal audit process identified three controls for evaluation: checklist for quality control, independent review in audit execution and competency.

The OIG sampled 36 of 36 auditors for competency requirements. They sampled eight projects for independent review and eight for quality checklist. Seven of the eight passed for independent review while all eight had a quality checklist included in the audit report. The OIG evaluated six controls in the enterprise hotline program. All six controls passed the evaluation.

DLA Installation Support (DS) began the evaluation of internal controls in twenty-one of its business processes. They utilized their FY 13 Annual Operating Plan (AOP) to identify four focus areas for evaluation in the reporting period. They evaluated the controls within Contingency Operations Plan (COOP), Volunteered Protection Plan (VPP), Accountable Property Receiving, Sustainment, Restoration and Modernization, and Strategic Sustainability Performance Plan (SSPP).

DLA Installation Support Accountable Property Receiving process at the Battle Creek location identified six controls for evaluation. The Battle Creek location process identified 100 percent success on the sample pulled to evaluate the six controls in the process.

Defense Logistics Agency CONTROL ANALYSIS - FY 2013							
1 Entity: DLA	Installation Support at Battle Creek (DS-FB)				**2. Preparer:**	Al Meyer	
Process Name:	Accountable Property Receiving				**3. Preparer's Phone #:**	269.961.4360 (DSN: 661.4360)	
							Effective
							Effective W/Exceptions
							Ineffective
4 Control Number	**5** Process	**6** Risk	**7** Internal Control Currently In Place (ICCIP)	**8** Description of Control Operation Test	**9** Control Operation Effective?	**10** New Risk Level	**11** Test Results
1	Accountable Property Receiving	Losing oversight of Accountable Property entering the facility.	Accountable Property expected to be received on Contracts is logged into Receiving Log. (Prepare for receipt of contracted Accountable Property).	Monthly inspection will mitigate associated risk	Yes	Low	New process. Experimental test ran on 10 receipts. 100% Pass rate.
2	Accountable Property Receiving	Portion of a shipment could be missing due to errors, waste, fraud, or abuse.	Received Accountable Property is checked, verified against contract, sign Commercial Bill of Lading (CBL) and enter into Receiving Log.	Monthly inspection will mitigate associated risk	Yes	Low	New process. Experimental test ran on 10 receipts. 100% Pass rate.
3	Accountable Property Receiving	Contents NOT conforming to applicable contracts requirements, e.g., quantity, quality, make, model and serial number per POC. Unsigned contract. Possibility of waste, fraud, or abuse.	Point of Contact (POC) verifies and ensure contents conform to applicable contracts requirements, e.g., quantity, quality, make, model and serial number; and signs contract.	Monthly inspection will mitigate associated risk	Yes	Low	New process. Experimental test ran on 10 receipts. 100% Pass rate.
4	Accountable Property Receiving	Missing or incomplete information needed for creating an Enterprise Business System (EBS) entry for the Accountable Property may lead to loss of accountability.	Government Receiving Person (GRP) or Transportation Assistant (TA) forwards copy of received property's paperwork to Accountable Property Officer (APO) and Agency POC to initiate Enterprise Business System (EBS) shell and updates the Receiving Log.	Monthly inspection will mitigate associated risk	Yes	Low	New process. Experimental test ran on 10 receipts. 100% Pass rate.
5	Accountable Property Receiving	Loss of accountability and traceability if Accountable Property is not entered into EBS and labeled with a bar code for tracking.	APO enters record of physical property received in EBS, creates barcode label and forwards to Hand Receipt Holder (HRH) and HRH affixes to the property.	Monthly inspection will mitigate associated risk	Yes	Low	New process. Experimental test ran on 10 receipts. 100% Pass rate.
6	Accountable Property Receiving	Loss of accountability and auditability due to incomplete or inaccurate record for the Accountable Property in EBS.	APO matches the property shell in EBS against the certified invoice and updates the record and files copy in asset folder.	Monthly inspection will mitigate associated risk	Yes	Low	New process. Experimental test ran on 10 receipts. 100% Pass rate.

DLA Land and Maritime began by identifying seventeen process areas for evaluation. Utilizing the Appendix A methodology they began their evaluation of the following areas: small

business set-aside dissolutions, timely execution of contract options, order fulfillment, the review process for alternate offers, non-NSN processes, the supply purchase requisition forecast valuation request in demand planning, testing center quality management, maritime material ordering, shop stores replenishment, travel authorization, and staffing authorization. A sample of results from their evaluation is below:

LAND AND MARITIME						
Process Reviewed	Risk	Testing Method	Population	Sample Size	Tolerance rate	Results
Order Fulfillment	Customer orders will not be filled in a timely or procedurally correct manner	Inspection – one month Lead Customer Account Specialist (CAS) of cell conducts a monthly review of 3 randomly sampled workflows from each CAS to ensure that response times are within standards and required procedures	1511 Workflows (combined total for all 3 cells, Feb 2013)	54	90% constitues reasonably high rate of compliance with time and procedural requirements, ensuring high level of cutomer service to the warfighter.	2 out of 54 did not pass PASSED
Published Forecast Validation for Forecastable Items	Over-procurement or under procurement of material acquired as a results of the purchase rquistion (PR) approval decision.	Inspection	Current Fiscal Year		Gap Identified	Forecast results were not alwalys processed within the established process and approval time set by local rule while awaiting customrer intelligence. CAP under development.

Utilizing the test results above DLA Land & Maritime was able to identify gaps and implement corrective actions to bring areas into compliance and facilitate improvements.

DLA Disposition Services Warfighter support mission is protecting the public through worldwide disposal management solutions. There are approximately 100 DLA Disposition Service Field Sites located both in CONUS (East, Mid-America, and West) and Outside the Continental United States (OCONUS) (Europe and Africa, Central, and Pacific). In FY 2013, DLA Disposition Services launched the implementation of Reutilization Business Integration (RBI). When fully implemented, RBI will significantly improve DLA Disposition Services operations. The RBI deployment caused some temporary adverse impacts to some of the automated controls and the ability to perform some control testing. However, DLA Disposition Services implemented automated and manual compensating controls (workarounds) and additional control activities to ensure a qualified assertion. Data availability and visibility during RBI deployment limited the ability to monitor some controls; however, once full RBI reporting is implemented, many processes will be subject to more rigorous control. Disposition Services' business process controls are evaluated currently through the DLA Disposition Services Agency Performance Review (APR), self-assessments conducted at Field sites, and effectiveness reviews. More detailed control evaluations will be included as part of AR as Disposition Services rolls out RBI and more distinct, metrics-driven results will be available.

DLA Distribution leverages a global distribution network to enable logistics solutions. The Distribution Centers are required to perform a self-assessment which consists of over 800 questions. The Distribution Centers' self-assessment of their operational compliance promotes a critical, objective examination of the Distribution Center material distribution policies, directives and laws. All core disciplines are assessed to include Receiving, Training, Transportation, Warehousing, Inventory Integrity, Stock Readiness, Cold Chain, Packing, Security, Temporary Storage, Hazardous Material, Finance, Environmental, Occupational Safety and Health. The 224 non-compliant findings from this year's self-assessment is a reduction of 35% compared to last year. DLA Distribution reviews related statistics of all Distribution Centers to ensure performance meets or exceeds DLA goals. DLA Distribution has developed a web based dashboard which is available to all Distribution Centers. Performance metrics are updated daily. Utilizing dashboard technologies, DLA Distribution can evaluate performance across all Distribution Centers to ensure management objectives are consistent with the DLA Strategic Plan.

DLA Aviation is the demand and supply chain manager for air, aviation, and space support. Items include: airframe/aerospace products, packaged petroleum, oils and lubricants, chemicals; instruments and gauges, industrial plant equipment/metalworking machines, maps and map products, environmental products, fasteners, and many more items. Testing methodology included three PMRs and Cross-Site Reviews. Results identified the need for additional training for the acquisition workforce on file content requirements.

Defense Logistics Agency CONTROL ANALYSIS - FY 2013								
1 Entity:	DLA					2. Preparer:		Elizabeth Lamothe
	EPLS					3. Preparer's Phone #:		804-279-3965
							Effective	
							Effective W/Exceptions	
							Ineffective	
4 Control Number	**5** Process	**6** Risk	**7** Internal Control Currently In Place (ICCIP)	**8** Description of Control Operation Test	**9** Control Operation Effective?	**10** New Risk Level	**11** Test Results	
1	EPLS	Personnel will not check and print out EPLS at time of opening offers and award	PMR Self-Inspections performed at all Aviation Sites semi-monthly.	A sampling of files are reviewed by local personnel in order to discern compliance with the EPLS requirement to print a copy of EPLS at time of opening offers and	Yes	Low	Combined increased compliance from 85.9% in November, 2012 to 89.9% in January, 2013.	
2	EPLS	Personnel will not check and print out EPLS at time of opening offers and award	CSRs performed for DLR sites.	A sampling of files are reviewed by members of other Aviation sites in order to discern compliance with the EPLS requirement to print a copy of EPLS at time of opening offers and immediately prior to award.	Yes	Low	The two (2) CSRs conducted during FY13 have resulted in education of the Huntsville and Warner Robins workforce to ensure EPLS requirements are met.	
3	EPLS	New personnel will not print the EPLS at the proper times per policy.	New initiative to work with the Career Development Branch in order to emphasize the importance of printing the EPLS at opening of offers ad immediately prior to award.	The PMR team will hold a presentation for the Pathways Program Participants to educate the importance of this policy. The intention is to instill proper behavior at the beginning of a employee's career.		Low	Training is scheduled for June, 2013.	

DLA Troop Support annually procures over $14.5 billion worth of food, clothing and textiles, construction supplies and equipment, pharmaceuticals, medical supplies and equipment, as well as industrial hardware items for America's warfighters, their eligible dependents and other federally-funded customers worldwide. DLA Troop Support focused its attention on its internal operations and identified high risk areas that had the greatest vulnerability to fraud, waste, and abuse to evaluate in FY 2013. Areas identified included: Supply Discrepancy Reporting (SDR) Process; Personally Identifiable Information (PII); Oversight of Post-Award fair and reasonable price determinations for Subsistence Prime Vendor (PV) Afghanistan; and Oversight of Post Award fair and reasonable price determinations for Maintenance, Repair, and Operations (MRO) Prime Vendor (PV) Korea. Focus area evaluations noted greater attention was needed in contract administration. Corrective actions include monthly pricing audits, additional PMRs, improved oversight of the SDR process and a new MRO Korea Tailored Logistics Support Contract to replace the existing MRO Prime Vendor program.

Office of Small Business Program (SBP) mission is to educate small businesses on doing business with DLA and facilitate their competing more effectively in DLA acquisitions. The SBP also advises DLA contracting and requirements personnel on all matters that affects small businesses and administers the Procurement Technical Assistance Program (PTAP). The Appendix A testing methodology was utilized to support their assertion. Results from evaluations showed that management internal controls put in place by the Grants Officer and the Program Manager both proved effective. The PTAP process controls emphasized review of funds availability, exclusion records, and appropriate warrant authority for the Grants Officer and Program Manager.

b. Office of the Inspector General, DOD (DOD IG); DOD Audit Agency (e.g. Naval Audit Service); GAO; or Component AIG findings.

External Audits			
Dates	**Description of Findings**	**Assessable Unit (# of Recommendations.)**	**Inspection Activity**
10/11/11	Care of Supplies in Storage (COSIS) (F2012-0001-FC4000)	DLA Logistics Operations/DLA Distribution (0)	Air Force Audit Agency (AFAA)

12/8/2011 REDACTED	Personally Identifiable Information and Department of the Navy Data on Unencrypted Computer Hard Drives Released from Department of the Navy Control (N2012-009)	DLA Information Operations/DLA Disposition Services (0)	Naval Audit Service (NAS)
01/13/12	MEDICARE: Lack of Price Transparency May Hamper Hospitals' Ability to Be Prudent Purchasers of Implantable Medical Devices (GAO-12-126)	DLA Logistics Operations/DLA Troop Support (0)	Government Accountability Office (GAO)
02/02/12	Improvements Needed With Identifying Operating Costs Assessed to the Fleet Readiness Center Southwest (DODIG-2012-049)	DLA Logistics Operations/DLA Aviation/DLA Finance (4)	Department of Defense Office Inspector General (DODIG)
02/17/12	ELECTRONIC WASTE: Actions Needed to Provide Assurance That Used Federal Electronics Are Disposed of in an Environmentally Responsible Manner (GAO-12-74)	DLA Logistics Operations/DLA Aviation/DLA Disposition Services (0)	GAO
6/5/2012 (This report contains information exempt from release under the Freedom of Information Act. Exemption (b)(6) applies)	Controls Governing the Procurement Automated Contract Evaluation System Need Improvement Report No. DODIG-2012-098	DLA Logistics, DLA Acquisitions (3)	DODIG

6/14/2012 (This report contains information exempt from release under the Freedom of Information Act. Exemption (b)(6) applies.)	Department of the Navy Bulk Fuel Facilities and Farms - Southwest Region, Defense Fuel Support point San Pedro, CA (N2012-0046)	DLA Energy (0)	NAS
07/19/12	Agencies Making Progress on Efforts, but Inventories and Plans Need to be Completed (GAO-12-742)	DLA Information Operations (0)	GAO
08/02/12	IRAQ AND AFGHANISTAN: State and DOD Should Ensure Interagency Acquisitions Are Effectively Managed and Comply with Fiscal Law (GAO-12-750)	DLA Acquisition/DLA Logistics Operations (0)	GAO
08/03/12	Defense Logistics: DOD Has Taken Actions to Improve Some Segments of the Materiel Distribution System (GAO-12-883R)	DLA Logistics Operations/DLA Distribution (0)	GAO
08/31/12	Questionable Data Cast Doubt on the Need for Continuing the Defense Transportation Coordination Initiative (DODIG-2012-108)	DLA Logistics Operations/DLA Distribution (0)	DODIG

09/20/12	Prepositioned Materiel and Equipment: DOD Would Benefit from Developing Strategic Guidance and Improving Joint Oversight (GAO-12-916R)	DLA Logistics Operations (0)	GAO
9/26/2012 CLASSIFIED	U.S. Pacific Command's Petroleum War Reserve Requirements and Stocks (Project No. D2011-D000LG-0136.000)	DLA Acquisition/DLA Energy	DODIG
10/19/2012 (FOUO - FIOA protected)	Defense Logistics Agency Could Improve Its Oversight of the Maintenance, Repair, and Operations Prime Vendor Contract for Korea (Project No. D2011-D000LD-0261.000)	DLA Acquisition/DLA Troop Support (1)	DODIG
11/15/12	Small Business Research Programs: Agencies are Implementing New Fraud, Waste, and Abuse Requirements (GAO-13-70R)	DLA Logistics Operations/Small Business Programs (0)	GAO
12/19/12	Afghanistan Drawdown Preparations: DOD Decision Makers Need Additional Analyses to Determine Costs and Benefits of Returning Excess Equipment	DLA Acquisition/DLA Logistics Operations (0)	GAO

02/14/13	Warfighter Support: Army's and Defense Logistics Agency's Approach for Awarding Contracts for the Army Combat Shirt (GAO-13-57R)	DLA Acquisition/DLA Troop Support	DODIG
2/26/2013	Afghanistan Retrograde Sort Process (A-2013-0056-MTE)	DLA Logistics Operations/Disposition Services (0)	Army Audit Agency (AAA)
02/28/13	Defense Logistics Agency: A Completed Comprehensive Strategy is Needed to Guide DOD's In-Transit Visibility Efforts (GAO-13-201)	DLA Logistics Operations (0)	GAO
03/20/2013	Defense Logistics Agency: Enterprise Business System Was Not Configured to Implement the U.S. Government Standard General Ledger at the Transaction Level	Defense Logistics Agency Finance (2) DLA Information Technology (2)	DODIG
04/19/13	Defense Agencies Initiative Did Not Contain Some Required Data Needed to Produce Reliable Financial Statements (DODIG-2013-070)	DLA Information Operations (2)	DODIG

Dates	Description of Findings	Assessable Unit (# of Recommendations.)	Inspection Activity
04/25/13	Use of Defense Logistics Agency Excess Parts for High Mobility Multi-purpose Wheeled Vehicle Depot Repairs Will Reduce Costs (DODIG-2013-073)	DLA Logistics Operations/DLA Land & Maritime (4)	DODIG
05/03/13	DEFENSE INVENTORY: Actions Underway to Implement Improvement Plan, but Steps Needed to Enhance Efforts (GAO-12-493	Logistics Operations (0)	GAO

Internal Audits			
Dates	**Description of Findings**	**Assessable Unit (# of Recommendations.)**	**Inspection Activity**
11/04/11	Audit of Logistics Research and Development Funding (DAO-10-21)	DLA Logistics Operations (2)	DLA OIG
12/27/11	DLA Implementation of the FISMA Reporting Process, DIACAP, and Selected IA Controls Audit (DAO-10-19)	DLA Information Operations (41) DLA Troop Support (4) DLA Logistics Information Service (5)	DLA OIG
02/16/12	Audit of Fuels Accountability in Afghanistan (DAO-10-10)	DLA Energy (4)	DLA OIG
03/16/12	Audit of Subsistence and Nonprescription Drug Recalls (DAO-10-13)	DLA Logistics Operations DLA Troop Support (4)	DLA OIG

05/31/12	Audit of the DLA Non-Energy Inventory Records Management Reconciliation Process (DAF-11-02)	DLA Logistics Operations (8)	DLA OIG
05/31/12	Audit of the Fund Balance with Treasury Undistributed Disbursements and Collections (DAF-11-09)	DLA Finance (2)	DLA OIG
07/30/12	Audit of Suspended Inventory (DAO-10-16)	DLA Human Resources (1) DLA Distribution (9) DLA Logistics Operations (3) DLA Land and Maritime DLA Aviation DLA Troop Support	DLA OIG
08/27/12	Audit of Travel Card Usage (DAO-10-25)	DLA Finance (6)	DLA OIG
09/13/12	Administration for Afghanistan (DAO-10-10A)	DLA Energy (8)	DLA OIG
10/01/12	Audit of the Employee Records Set-up and Maintenance (DAF-12-06)	DLA Human Resources (8) DLA Finance (2)	DLA OIG
10/24/12	Audit of Continuous Process Improvement (DAO-12-01)	DLA Strategic Plans and Policy (7)	DLA OIG
12/20/12	Real Property Additions, Disposals and Construction-in-Progress Audit (DAF-12-15)	DLA Finance (3) DLA Installation Support (6)	DLA OIG
01/15/13	Audit of DLA Disposition Services Contingency Operations in Afghanistan (DAO-12-07)	DLA Disposition Services (12)	DLA OIG
02/25/13	Audit of the DLA Non-Energy Physical Inventory Process (DAF-12-05)	DLA Logistics Operations (2)	DLA OIG

04/04/13	Follow-up Audit of the Law Enforcement Support Office (DAO-12-26)	DLA Logistics Operations (0) DLA Disposition Services (0)	DLA OIG
04/08/13	Audit of DLA Transaction Services Defense Automatic Addressing System (DAAS) IT General Controls (DAI-11-08)	DLA Information Operations (26)	DLA OIG
02/29/12	Fiscal Year 2011 Quality Assurance Review (QAR-11-07)	DLA OIG (3)	DLA OIG
03/02/12	Continuing Professional Education Assessment (QAR-11-11)	DLA OIG (4)	DLA OIG
02/12/13	Fiscal Year 2012 Quality Assurance Review (QAR-12-08)	DLA OIG (6)	DLA OIG

c. Assessment of the Acquisition Functions. The DLA Acquisition (J7) Directorate manages the establishment of procurement policy, and is responsible for oversight of the Agency's acquisition operations and contract administration. With nearly $35 billion in annual sales, encompassing 5.2 million managed items, J7 provides Agency-level oversight for DLA procurements to store and distribute food, uniform apparel, bulk fuel, engineering and construction equipment, industrial hardware, pharmaceutical, medical and surgical products, and aviation, land, and maritime equipment and weapons system repair parts for the military services and other customers worldwide. DLA Acquisition (J7) continues to review the OSD, AT&L Internal Controls over Acquisition Functions (ICOAF) template annually to identify focus areas for procurement management review (PMRs) and provide oversight of the acquisition functions. The ability to narrow the scope for PMRs and revisit critical infrastructure provides J7 the opportunity to identify areas that need senior leader engagement and plan for future years out as we face budget constraints and changing Warfighter support needs. DLA Acquisition (J7) is comprised of the following organizations:

- Acquisition Policy & Systems Division (J71)
- Acquisition Operations Division (J72)
- Compliance Oversight & Acquisition Workforce Division (J73)
- Acquisition Programs Division (J74)
- DLA Contracting Services Office (DCSO)

- DLA Strategic Materials

Acquisition functions are assessed throughout the year by Procurement Management Review (PMR) team members. PMRs are designed to provide periodic and specific subject/area reviews of DLA contracting offices by independent and objective team of professionals from the Headquarters staff and field contracting offices. PMR purpose is to: (1) assist field activity procurement managers and Commanders/Directors with improving the operational efficiency and effectiveness of their organizations; (2) periodically provide the Agency's Senior Procurement Executives (SPE) with an evaluation of the integrity of their procurement process, the achievement of Agency goals, assessment of the quality of career development with the contracting workforce, and assessment of compliance with statutory requirements by each contracting office; and (3) provide contracting offices with an Agency management forum through which to share successes and best practices.

PMR Date	Location	Rating Received
8/20-31/2012	DLA Troop Support Prime Vendor Program	Satisfactory rating
12/3-7/2012	DLA Strategic Materials	Excellent
1/9-17/2013	Defense Media Activity	Rating Pending
2/5-7/2013	DLA Contracting Services	No Rating Assigned
3/18-27/2013	DLA Troop Support (Clothing, Textiles and Subsistence)	Rating Pending

PMR teams reviewed contract files for compliance with regulation and policy, and for documentation of proper review and approval of contract actions. They also evaluated compliance with oversight requirements for contracting quality and processes during each PMR. PMR team members reviewed reporting systems, such as Federal Procurement Data System - Next Generation (FPDS-NG), Past Performance Information Retrieval System (PPIRS), Contractor Performance Assessment Reporting System (CPARS), Electronic Document Access (EDA), Federal Business Opportunities website (fbo.gov), contract announcements, Central Contractor Registration (CCR), and Excluded Parties List System (EPLS) to ensure that required procedures were followed and required reports were completed timely. Activities were instructed by the PMR team to start completing missing reports/information while the team was on-site. PMR team members also reviewed files for compliance with oversight recommendations from J7 and reviewed acquisition plans for effective market research and plans to remove barriers to competition. Team members reviewed post award documentation to ensure that contractors and contracting personnel performed in accordance with contract terms and conditions. A PMR in-brief was provided to the contracting activity senior and operational leaders, routine updates were provided on issues identified during reviews, and out-briefs conducted on PMR results and findings. Activity leaders were required to provide a Management Plan of Corrective Action and to ensure that corrective actions were effective. Through the PMR process, internal controls are evaluated for effectiveness and efficiencies.

The Government Purchase Card (GPC) Program is a high-visibility program that requires daily monitoring. The DLA Director and J7 Leadership are actively engaged in the health of this

program by requiring continuous updates on the delinquency status of not only the program as a whole, but individual accounts, when necessary. OSD sets the tone of the program as they are the DOD Administrator and provide on-going guidance and policy program implementation. DLA has internal policy, DLAI 2106 Government Purchase Card Program that has been implemented. The US Bank, Purchase Card On-line System (PCOLS), and Authorization, Issuance, and Maintenance (AIM) are all external electronic sources that provide daily reports on the Card Holder (CH), Billing Official (BO), and the Agency/Organization Program Coordinators (A/OPC) transactions and accounts. Some of these reports identify suspect (flagged) transactions that require further review by the CH's managing BO and A/OPC, and may be elevated to the Component Program Manager (CPM). This program is functioning well due to the policies, guidance, and overarching support from multiple sources.

The results from the PMR and the monitoring of the GPC are all cross-walked to the DOD Assessment of Internal Controls over Acquisition Functions Template. Any deficiencies and weaknesses are grouped in the framework identified (cornerstone descriptions) to determine corrective actions where necessary and raise concerns to senior leadership.

TAB A-1

SIGNIFICANT MICP ACCOMPLISHMENTS

Most significant MICP accomplishments achieved during FY 2013.

Significant accomplishments will be reported in the Management's Discussion and Analysis (MD&A) section of the Department's Annual Financial Report (AFR). Highlight areas where your organization became more effective in operations, improved fiscal stewardship, or complied with applicable laws and regulations. Provide details on accomplishments achieved in the execution of the MICP since you issued the previous SOA. Each significant accomplishment must be identified with one of the internal control categories identified in Enclosure 5, DODI 5010.40.

Internal Control Reporting Categories: Information Technology

Description of the Issue: Improvements to Internal Controls evaluation process (J62)

Accomplishment: J62 has reorganized its workforce to provide a more disciplined and streamlined acquisition approach for the life cycle management of DLA's emerging Defense Business Systems. Life cycle management is a methodology that ensures DLA's IT investments are effectively managed and deliver expected IT capabilities to functional stakeholders. This process is based on a disciplined approach to the planning, execution, monitoring and control of emerging IT programs. The life cycle management ensures the delivery of IT solutions are within cost, on schedule, and meet performance parameters that are defined and agreed to by its functional stakeholders.

J62 has three Portfolio Managers that report directly to the Program Executive Office (PEO):

- Enterprise Capabilities Portfolio,
- Enterprise Financial Management Portfolio, and
- Enterprise Sourcing & Medical Contingency Portfolio.

Each of these Portfolios is headed by a dedicated Portfolio Manager. Each Portfolio Manager holds weekly meetings with the following attendees: Program Managers (PM) from each of the Projects/Programs within his/her Portfolio; members of the functional community; and the assigned Portfolio J62 liaison analyst, as well as other subject matter experts (SME) as required. Each of the Portfolios is reviewed (Business Systems Review (BSR)), on a quarterly basis by the PEO, Deputy PEO, Director of Operations, and the Chief, Acquisition Support.

Internal Control Reporting Category: Contract Administration (J65)

Description of the Issue: Consolidation of project management tasks into one blanket purchase agreement.

Accomplishment: The Blanket Purchase Agreement provides Program Management Support Services that consist of Program Management Support, Financial, Budget and Cost Support, Configuration Management Support, Systems Engineering (SE) Support, Enterprise Architecture Support and Compliance, Enterprise Data (ED) Strategy Support & Compliance, Test and Documentation Support, IA Support, Administrative Support, Task Order Project Management, Continuous Process Improvement (CPI) Support and IT Benchmark Support for DLA J6 Activities throughout DLA. The BPA was put into effect during October 2012.

The BPA provides J6 with experienced onsite and offsite (as required) program and management support services for J6 offices. This support shall consist of Program Management and Control, Configuration Management, Analytical Services, Portfolio Management, Enterprise Architecture, and Cost/Financial Management activities required to develop, implement and manage their logistics, financial, human resource information systems and corporate support systems. These efforts may require the vendor to travel to the various DLA Centers and Enterprise Data Center (EDC) partner locations such as Richmond, VA, Columbus, OH, Philadelphia, PA, Battle Creek, MI, Ogden, UT, and New Cumberland, PA.

Internal Control Reporting Category: Supply Operations

Description of the Issue: Defective Item Report (DIR) processing times of information to DLA customers are inadequate to satisfy customer requirements.

Accomplishment: Reduced the customer response time for defective Army recruit clothing items from 398 days to five days. Lead time starts with receipt of Defective Item Report (DIR) from Recruit Training Center and ends with completed transaction in EBS and completed DIR forwarded to RTC.

This CPI identified process improvement in areas of SOP development, a group distribution list to facilitate effective collaboration and notification for action, creating a control plan and a transition plan for defective item returns.

Champion: Keith Ford Deputy Director, C&T
Sponsor: Gary Colello, Director Customer Operations, C&T
Team Leader: Monique Williams, Supervisor, C&T
Green Belt: MSG Darryl E. Reynolds, C&T
Team Members: (See Project Charter)

Reduce Defective Item processing

Date: 31 August 2012

Calendar	Pre-Event Brief	Implementation Decision Brief	Project Close-Out Brief
	30 Mar 2012	1 Apr 2012	31 Aug 2012

STEP 1: DEFINE THE PROBLEM

Problem Statement: Defective Item Report (DIR) processing times of information to DLA customers are inadequate to satisfy customer requirements.

Goal Statement: Reduce customer response time on Army recruit clothing items.

Measurement Type	Measurement	Category (Primary / Secondary)	Baseline Estimate	Goal
Schedule	Process Lead Time	Primary	398 days	90 days

Scope:
Start: Receive DIR spreadsheet from RTC
End: Forward DIR with Completed ZDIS Transaction in EBS to RTC

Primary Metric Chart – Before

DIR process times for Army recruit clothing items

Average: 398 days

STEP 2: SOLVE THE PROBLEM

Root Cause: There are too many hand-offs and delays at different stages at the process

Current State map "As-Is"

Solution: Eliminate non-value added steps in the process. Ensure employees are trained on SOP updates implemented. As well, create a distribution group email to prevent delays and constraints in the front end of the process.

Future State map

STEP 3: VALIDATE THE SOLUTION WITH DATA

#	Action	Due Date	Completion Date	Assignee
1	Update SOPs per new process	Aug 31 2012	Aug 31 2012	MSG. D. Reynolds
2	Create group distribution list	April 1 2012	April 30 2012	MSG. D. Reynolds
3	Notify recruit centers with distribution list	April 30 2012	April 30 2012	M. Williams
4.	Create a Control Plan	August 31 2012	August 31 2012	H. Jansen
5.	Create a Transition Plan	August 31 2012	August 31 2012	H. Jansen

Primary Metric Chart – Before and After Comparison

DIR process times for Army recruit clothing items

Measurement Type	Measurement	Category (Primary / Secondary)	Baseline	Goal	Current	Change
Schedule	Process Lead Time	Primary	398 days	90 days	4.5 days	-98.8%

Internal Control Reporting Category: Supply Operations

Description of the Issue: The Goods Receipt Date, once entered in the Enterprise Business System (EBS), determines the deadline for payment to vendors on Industrial Prime Vendor (IPV) contracts. Currently the Goods Receipt Dates are not entered properly into the system, which has resulted in late payments to vendors. In June of 2011, for the four Army IPV contracts, the accuracy of the Goods Receipt Dates was 81.6%.

Accomplishment: Date entered for Goods Receipt is based on when the item is received by the customer, not invoice receipt date. Goods Receipt Dates are entered into EBS utilizing actual delivery/receipt date. Goods Receipt Date, once entered in the system, determines the deadline for payment to vendors on IPV contracts. The CPI initiated a process walk through to identify and improve vendor payments and validate standard operating procedures.

Champion: Mr. Jeff Curtis
Team Leader: Kendall Cottongim
Green Belt: Jim Fazzio
Team Members: TJ Maul, Jon Kline

PROJECT TITLE
IPV – Goods Receipt Date Error Reduction

Date: 11 July 2012

Calendar	Pre-Event Brief	Implementation Decision Brief	Project Close-Out Brief
	9 Jan 2012	21 Feb 2012	15 Mar 2012

## STEP 1: DEFINE THE PROBLEM

Problem Statement: The Goods Receipt Date, once entered in the system, determines the deadline for payment to vendors on IPV contracts. Currently the Goods Receipt Dates are not entered properly into the system, which has resulted in late payments to vendors. In June of 2011, for the four Army IPV contracts the accuracy of the Goods Receipt Dates was 81.6%.

Goal Statement: Improve the accuracy of Goods Receipt Dates by 21% from 81.6% to 99%.

Measurement Type	Measurement	Category (Primary / Secondary)	Baseline Estimate	Goal
Quality	Goods Receipt Accuracy Rates	Primary	81.6%	99%
Delivery (Time)	Timeliness of Receipt of Documentation (Invoice)	Secondary	12.8 Days	12.8 Days
Cost	Incorrect/Invalid Interest Payments Made Due to Inaccurate Goods Receipt Date	Secondary	$0	$0

Scope: The Army IPV process pertaining to the entry and validation of Goods Receipt Dates

Primary Metric Chart
Goods Receipt Accuracy Rates by Site (depicted by Contract Number)
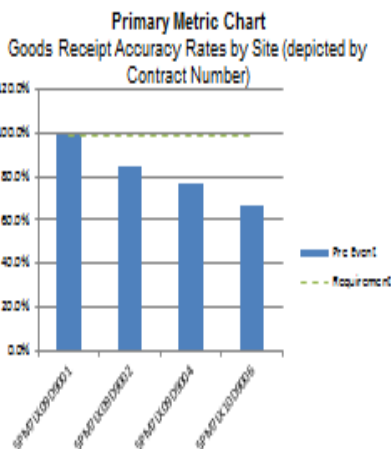
STEP 2: SOLVE THE PROBLEM

Root Cause: Goods Receipt Date entry is often entered utilizing the default date ("today's date") or entered using batch processing

Baseline Date Entry Process

Created by	PIIN/SPIN	(1) Goods Receipt Posting Date / (2) Invoice Posting Date	(1) Goods Receipt Doc Date / (2) Invoice Doc Date	Invoice Receipt Date	Goods Receipt / Invoice
C011364	SPM7IX-09-D-9001-YM22	7/29/2011	7/29/2011	00/00/0000	Goods Receipt
C011364	SPM7IX-09-D-9001-YM22	5/25/2011	5/24/2011	5/24/2011	Invoice

Date entered for Goods Receipt is 66 Days after the date the items were actually delivered

Solution: Changed the responsible party for Goods Receipt Date Entry and added a validation step

Post Improvement Process

Created by	PIIN/SPIN	(1) Goods Receipt Posting Date / (2) Invoice Posting Date	(1) Goods Receipt Doc Date / (2) Invoice Doc Date	Invoice Receipt Date	Goods Receipt / Invoice	GR/Invoice Days
CONTROL M_STC	SPM7LX-09-D-9001-6890	4/5/2012	3/30/2012	00/00/0000	Goods Receipt	
CONTROL M_STC	SPM7LX-09-D-9001-6890	4/4/2012	4/1/2012	4/5/2012	Invoice	-4

Date entered for Goods Receipt is based on when the item was received by the customer, not when the invoice was received

Validation step ensures the Goods Receipt Date is reasonable

STEP 3: VALIDATE THE SOLUTION WITH DATA

#	Action	Due Date	Completion Date
1	AG assigned J331 the IPV CPI Task	5/2011	5/2011
2	Performed F2F Deep Dive	10/2011	10/2011
3	Performed Process Walk at TYAD	2/2012	2/2012
4	Implemented Process Improvements	2/2012	2/2012
5	Received SOP's	5/2012	5/2012
6	Received Data to Track Improvements	6/2012	6/2012
7	Completed CPI Event	7/2012	7/2012

Primary Metric Chart – Before and After Comparison
Goods Receipt Accuracy Rates by Site
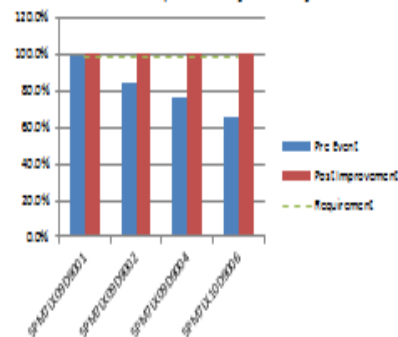
QSC	Mmmt	Category	Base	Goal	Current	Change
Quality	Goods Receipt Accuracy Rates	Primary	81.6%	99%	100%	+23%
Delivery (Time)	Timeliness of Receipt of Documentation (Invoice)	Secondary	12.8 Days	12.8 Days	2.3 Days	-82%
Cost	Incorrect/Invalid Interest Payments Made Due to Inaccurate Goods Receipt Date	Secondary	$0	$0	$0	0%

TAB B

OPERATIONAL MATERIAL WEAKNESSES/CORRECTIVE ACTIONS

Uncorrected Material Weaknesses Identified During the Period:

Internal Control Reporting Category	Description of Material Weakness	Targeted Correction Year	Page #	Corrective Action Summary
Procurement	**Procurement Automated Contract Evaluation (PACE):** DLA did not have an effective and consistent oversight process to validate that prices paid for Procurement automated Contract Evaluation (PACE) awards at three DLA supply centers were fair and reasonable. DLA also used a generally excessive pricing criterion for all fully automated awards that did not ensure that PACE procurements represented the best value for the Government.	2014	80	Corrective actions include: the submission of trouble tickets, determining an annual inflation factor for automated evaluation logic, completion of training material and training dates for contracting officers, and definition of Sub-Process Owners (SPO) responsibilities for Automated Procurement Capabilities and PACE.
Procurement	**Automated Awards: No Bids** Lack of quotes from suppliers on items that solicited through the automation process. Impact is lack of awards, degrading customer support and increasing manual workload due to the inability to award through automation.	2014	81	System Change Request in process to issue automated emails to approved suppliers before automated solicitation has closed. Developing acquisition strategy to place greater focus on the types of items and commodities that result in no-bids, including greater use of reverse auctioning.
Procurement	**Automated Awards: Pricing** Suppliers quoting above existing system price thresholds are resulting in extensive manual pricing reviews and awards of rejected automated purchase requests.	2014	82	The price thresholds for micro-purchases and simplified acquisitions were increased in May and June 2013. Price rejections above those levels still require manual review to comply with Federal Acquisition Regulations.
Procurement	**Procurement Process Weakness:** FAR 9.4 requirements to ensure debarred, suspended or contractors that are proposed for debarment are excluded from receiving contract awards. Compliance with regulations to review Excluded Parties List System (EPLS) prior to award is not always obtained. DLA	2014	82-83	DLA Acquisitions (J7) will ensure training is provided on procurement process procedures and monitored through PMR compliance reviews. J7 will implement a system

	Contracting Officers are not signing the DD2579. The desired compliance rate of 100% is not being attained.			change to preclude manual buys from being awarded to listed contractors.
Procurement	**Pricing: File Content** Contracting personnel are not following procurement policy for pricing analysis as it relates to historical pricing.	2014	83-84	To improve Agency processes in this area, DLA Acquisition (J7) is implementing additional actions to lead and support the pricing reviews conducted. Historical pricing comparisons for all awards below the simplified acquisition threshold are required. This was put in place due to the repetitive nature of awards at this threshold. DLA Acquisition J7 is analyzing continued need for this specific requirement due to the already existing requirements for pricing documentation.
Procurement	**Material Receipt and Acceptance (MRA):** Customers are not verifying receipt of material. Therefore, the Agency is not able to process supplier invoices per financial regulations.	2014	84	DLA Acquisition J7 has implemented Transporter Proof of Delivery to provide receipt documentation to enable supplier payment. DLA is pursuing a long-term Enterprise solution (DLA Finance (J8), DLA Logistics Operations (J3), and J7) for customers not acknowledging receipt of material.

Uncorrected Material Weaknesses Identified During Prior Periods:

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Year	Page #	Corrective Action Summary
Supply Operations	Law Enforcement Support Office (LESO) policy and procedures not being followed correctly.	FY 2012	4Q13	84-85	A robust property accounting system Federal Excess Property management Information System (FEPMIS) under development to meet LESO post-issue tracking requirements. Memorandum of Agreement (MOA) developed and utilized between State and Federal Agencies to require State Coordinators to sign and certify an annual controlled property inventory.

Material Weaknesses Corrected During the Period:

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Page #	Corrective Action Summary
Supply Operations	Supply, Storage and Distribution (Mis-shipment to Government of Taiwan)	FY 2010	86	Centralized accessible information source for NWRM items established with unique identifier. Follow-up audit by DLA OIG conducted and determined findings and recommendations implemented. **Closed**
Supply Operations	Navy Retail/Supply, Storage & Distribution (NNSY)	FY 2012	86	Navy and DLA went back to the pre-Day 2 IT and tabled the action. Navy and DLA partnered to schedule the first IMSP deployment at an FRC using lessons learned from the NNSY deployment and the investigation. There are no systemic IT or performance issues upon NNSY's return to MAT as its system of record. **Closed**
Information Technology	Some DLA applications are non-compliant with Enterprise Mission Assurance Support (eMass)	FY 2012	86	DLA designated DECC-Mechanicsburg as Alternate IT disaster recovery site. **Closed**

	DODI 8500.2 continuity control CAS-1: Alternate Site Designation			
Property Management	Sustainment, Restoration and Modernization (SRM) program policy. Prior findings by DLA Accountability Office found existing SRM program processes were not providing the oversight required to ensure complete conformance with guidance, policy, and applicable statutes.	FY 2001	87	DLA Instruction published and released. Request for DLA OIG validation of resolution of the deficiencies identified in Report Number IR04-01 will be scheduled based on OIG availability. **Closed**
Property Management	GAO report 05-277, DOD Excess Property: Management Control Breakdowns Result in Substantial Waste and Inefficiency, and GAO report 06-943, Control Breakdowns Present Significant Security Risk and Continuing Waste and Inefficiency.	FY 2005	87	Complete Reutilization Business Integration (RBI) implementation, 3rd Qtr 2013. Increased management oversight and substantive, verifiable performance measures will be used to validate process improvements and execution of Information Technology Systems Contract. **Closed**

DEFENSE LOGISTICS AGENCY
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FORT BELVOIR, VIRGINIA 22060-6221

JUN 28 2013

MEMORANDUM FOR THE CHAIR, DEPARTMENT OF DEFENSE SENIOR
ASSESSMENT TEAM

SUBJECT: Internal Control over Financial Reporting and Financial Systems Statement of
Assurance Report Requirements

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

The assessment was conducted in compliance with Office of Management and Budget (OMB) Circular No. A-123, Appendix A, and the most recent version of the Department of Defense (DoD) FIAR Guidance, under the oversight of the DLA Senior Assessment Team (SAT). The DLA SAT is designated to provide oversight in maintaining complete records of the assessment documentation. Based on the results of this assessment, DLA is able to provide a qualified statement of assurance that the internal controls over financial reporting assessable units as of June 30, 2013, were operating effectively with the exception of 17 material weaknesses noted below.

The DLA Information Operations conducted an internal review of the effectiveness of the DLA internal controls over financial systems. DLA is able to provide qualified assurance that the DLA managed financial systems have achieved substantial compliance with the Federal Financial Management Improvement Act and OMB Circular A-127. Testing is in progress on the thirteen DLA and DoD Enterprise Business Systems (EBS), using the Federal Information Systems Controls Audit Manual testing procedures.

The DLA also asserts that the material weaknesses and nonconformances identified below and related corrective actions and remediation plans for bringing the systems into substantial compliance (Attached) are supported by the detail included in FIPs as of June 30, 2013, section 2.

- **Material Weaknesses / Nonconformances – Financial Reporting**   **Correction Date**

Plan to Stock (Defense Working Capital Fund (DWCF)):
Lack of documentation to address controls
- Existence & Completeness   4th Qtr, FY2014
- Valuation   4th Qtr, FY2015

Plan to Stock (DWCF): Reconcile subsidiary and general ledger
balances for EBS   4th Qtr, FY2014

Plan to Stock (DWCF): Document, track, and record-in- transit inventory
                                                    - Existence & Completeness   4th Qtr, FY2014
                                                    - Valuation   4th Qtr, FY2015

Plan to Stock (DWCF): Energy: Document for edit checks and validation   4th Qtr, FY2014

Order to Cash (DWCF): Accounts Receivable - Enterprise Business System 4th Qtr, FY2015

Order to Cash (DWCF): Energy: Accounts Receivable   4th Qtr, FY2014

Procure to Pay (DWCF): Accounts Payable- Enterprise Business System   4th Qtr, FY2015

Procure to Pay (DWCF): Energy: Accounts Payable   4th Qtr, FY2014

Acquire to Retire (DWCF): General Property >$100K   4th Qtr, FY2013

Acquire to Retire (DWCF): Real Property Inventory Accuracy - Host Sites 4th Qtr, FY2013

Acquire to Retire (DWCF): Real Property Inventory Accuracy - Non-Host   4th Qtr, FY2014

Acquire to Retire (DWCF): Physical Inventory Process – RP Valuation   4th Qtr, FY2015

Acquire to Retire (DWCF): Internal Use Software   4th Qtr, FY2014

Fund Balance with Treasury (FBwT) (General Fund (GF) & DWCF): Timely
reconciliation of FBwT by Defense Finance and Accounting Service   4th Qtr, FY2015

FBwT (GF & DWCF): Documentation for undistributed disbursement
and collections   4th Qtr, FY2015

FBwT (GF & DWCF): Reconciliation process documentation   4th Qtr, FY2015

Record to Report: EBS did not meet Standard Financial Information
Structure data standard   1st Qtr, FY2014

Points of contact for this action are Ms. Monica Harrigan, (703) 767-7294, DSN
427-7294, or email: monica.harrigan@dla.mil and Mr. Waldemar Cuevas, (703) 767-7253,
DSN 427-7253, or email: waldemar.cuevasgonzales@dla.mil.

J. ANTHONY POLEO
Chair, DLA Senior Assessment Team

Attachment:
As stated

Defense Logistics Agency
Material Weakness
Summary Corrective Action Plan

June 12, 2013

Plan to Stock (P2S)
Material Weakness
Summary Corrective Action Plan

Defense Logistics Agency
Plant to Stock (P2S)
Summary Corrective Action Plan

FIP Related Assessable Unit*: Plan to Stock – Lack of documentation to address controls*

First Year Reported: *FY 2007*   **Original Target Date:** *4th Qtr FY 2011*

Target Date on Prior Year SOA: *2nd Qtr FY 2015*   **Status:** *Aligned to DLA Assertions and FIPS*

Current Target Date: E&C - *4th Qtr FY 2014*
                              Valu - *4th Qtr FY 2015*

Description:	**E&C:** Insufficient level of detail to address automated and manual controls related to Enterprise Business System Integrated Composite Application Network environment, for Order Fulfillment (OF) interfaces (INT): OF-INT-0011 "Shipment Confirmations," OF-INT-0039 "Inventory Adjustments," OF-INT-0049 "Receipt Confirmations from Procurement."
	Valuation: Due to missing controls for excess inventory, such inventory is currently valued and reported in the financial statements at Moving Average Cost instead of at Net Realizable Value (NRV).
Corrective Action Summary:	**E&C:** Develop, implement, and document automated controls for OF-INT0011, OF-INT-0039, and OF-INT-0049. Develop documentation that describes Business Rules, Process Papers, and Job Aids for correcting failed Information Documents (IDOCs), including the implementation of a systemic prioritization process for resolving failed IDOCs. Reinforce oversight procedures to ensure supervisors review the work of the resolution specialist, including validating that IDOCs were appropriately corrected and timely.
	Valuation: Establish procedures that implement an auditable process to value excess material at NRV in coordination with OSD.
Impediments:	*Resource constraints and lack of DLA Policy.*

Defense Logistics Agency
Plant to Stock (P2S)
Summary Corrective Action Plan

FIP Related Assessable Unit*: Plan to Stock – Reconcile subsidiary ledger and general ledger balances for EBS*

First Year Reported: *FY 2007*   **Original Target Date:** *1st Qtr. FY 2009*

Target Date on Prior Year SOA: *2nd Qtr FY 2014*   **Status:** *Aligned to DLA Assertions and FIPS*

Current Target Date: *4th Qtr FY 2014*

Description of Weakness: *DLA and Defense Finance and Accounting Services (DFAS) have not   established routine and sustainable processes to reconcile subsidiary land general ledger balances for the Enterprise Business System (EBS).*

Corrective Action Summary: *Identify and document the current inventory reconciliation processes, including key controls and financial transactions. Identify the universe of DSS and non-DSS systems and develop and implement standard operating procedures for an auditable and sustainable process to reconcile subsidiary ledgers for DSS and non-DSS sites with material balances in EBS. Obtain and analyze pre-closing and post-closing trial balances, related Journal vouchers (JVs), and supporting documents. Review posting logic, including cause of JVs and as appropriate strengthen existing processes and controls to minimize need for JVs. Document procedures to perform reconciliations of inventory transactional data with general ledger summary balances to ensure accurate reporting on balances and provide recommendations to DLA and DFAS. Establish complete and accurate population of DSS and non-DSS balances.*

Impediments: *Resource constraints and difficulty in obtaining responses from vendors (service providers) to provide quantity on hand balances because vendors do not have contractual obligation to provide inventory balances.*

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KNOW YOUR BUSINESS
CONTROL YOUR FUTURE

FIP Related Assessable Unit*: Plan to Stock – Document, track, and record in-transit inventory value*

First Year Reported: *FY 2007*   **Original Target Date:** *4th Qtr FY 2009*

Target Date on Prior Year SOA: *4th Qtr FY 2014*   **Status:** *Aligned to DLA Assertions and FIPS*

Current Target Date*:* **E&C -** *4th Qtr FY 2014*
                        Valu - *4th Qtr FY 2015*

Description: **Quantities and Value** *of in-transit inventory lacks an auditable and sustainable process to document, track and record in-transit inventory.*

Corrective Action Summary: *Review and document the in-transit process. Create and implement standard operating procedures that implement an auditable and sustainable process to document, track, and record in-transit inventory. Develop and submit SCR BFI-13-017 (prior system change request required revision) for the detail posting and aging of in-transit inventory. Generate and validate in-transit reports. Validate procedures to ensure an completeness, existence, and accuracy of in-transit inventory.*

Impediments: *Resource constraints and delays in system changed due to need to revise requirements due to complexity, and conducting a manual reconciliation is hindered by the huge volume of transactions.*

Defense Logistics Agency
Plant to Stock (P2S)
Summary Corrective Action Plan

FIP Related Assessable Unit: *Plan to Stock – Energy (Documentation for edit checks and validation)*

First Year Reported: *FY 2007*   **Original Target Date:** *FY 2013*

Target Date on Prior Year SOA: *4th Qtr FY 2014*   **Status:** *On Track*

Current Target Date: *4th Qtr FY 2014*

Description: *A Federal Information Systems Control Audit (FISCAM) assessment report, issued by KPMG, found that there is limited design documentation for real time edit checks and interface validation controls in the DLA Energy legacy Information Technology (IT) systems.*

Corrective Action Summary: *The Energy business process is proceeding with a plan to replace the legacy IT systems and move to the DLA EBS system with additions to the existing EBS platform to support procurement and the petroleum supply chain using SAP Oil and Gas.*

Impediments: *Lack of design documentation for system controls such as edit checks and interface validations for the DLA Energy IT systems.*

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DEFENSE LOGISTICS AGENCY
AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY

Order to Cash (O2C)
Material Weakness
Summary Corrective Action Plan

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FIP Related Assessable Unit*: Order to Cash – Accounts Receivable - Enterprise Business System (EBS)*

First Year Reported: *FY 2007*   **Original Target Date:** *4th Qtr. FY 2011*

Target Date on Prior Year SOA: *2nd Qtr FY 2013*   **Status:** *Aligned to DLA Assertions and FIPS*

Current Target Date: *4th Qtr. FY 2015*

Description: *Independent testing performed on the DLA Enterprise Business System (EBS) found there to be a lack of sufficient documentation supporting the existence of key controls over the system environment and interfaces associated with EBS.*

Corrective Action Summary: *To develop documentation in sufficient detail to address the edit checks and validation performed by the EBS interfaces and performed testing over system functionality for effectiveness.*

Impediments: *Lack of design documentation for system controls such as edit checks and interface validations for the EBS system.*

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Defense Logistics Agency
Order to Cash (O2C)
Summary Corrective Action Plan

FIP Related Assessable Unit*: Order to Cash – Energy : Accounts Receivable*

First Year Reported: *FY 2008*   **Original Target Date:** *4th Qtr. FY 2014*

Target Date on Prior Year SOA: *4th Qtr. FY 2014*   **Status:** *On Track*

Current Target Date: *4th Qtr. FY 2014*

Description: *A federal Information Systems Control Audit (FISCAM) assessment reported, issued by KPMG, found that there is limited design documentation for real time edit checks and interface validation controls in the DLA Energy legacy Information Technology (IT) systems.*

Corrective Action Summary: *The Energy business process is proceeding with a plan to replace the legacy IT systems and move to the DLA EBS system with additions to the existing EBS platform to support procurement and the petroleum supply chain using SAP Oil and Gas.*

Impediments: *DLA Energy implementation of the existing DLA EBS application and the SAP Oil and Gas Module (Energy Convergence/EC) is underway.*

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Procure to Pay (P2P)
Material Weakness
Summary Corrective Action Plan

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FIP Related Assessable Unit*: Procure to Pay – Accounts Payable - Enterprise Business System (EBS)*

First Year Reported: *FY 2007*   **Original Target Date:** *4th Qtr FY 2011*

Target Date on Prior Year SOA: *2nd Qtr FY 2014*   **Status:** *Aligned to DLA Assertions and FIPS*

Current Target Date*:   4th Qtr FY 2015*

Description: *There is insufficient detail to determine if the system environment and interfaces for DLA's major systems are operating effectively.*

Corrective Action Summary: *Identify, evaluate and test functional design documentation for the Vendor Master file, generation of document numbers and the two and three way match.*

Impediments: *Lack of design documentation for system controls such as edit checks and interface validations for the EBS system. Functional design documentation has not been identified for the two and three way match process.*

FIP Related Assessable Unit*: Procure to Pay – Energy : Accounts Receivable*

First Year Reported: *FY 2008*

Target Date on Prior Year SOA: *4th Qtr FY 2014*

Current Target Date*: 4th Qtr FY 2014*

Original Target Date: *4th Qtr FY 2014*

Status: *On Track*

Description: *There is insufficient detail to determine if the system environment and interfaces for DLA's major systems are operating effectively.*

Corrective Action Summary: *The Energy business process is proceeding with a plan to replace the legacy IT systems and move to the DLA EBS system with additions to the existing EBS platform to support procurement and the petroleum supply chain using SAP SRM and SAP Oil and Gas.*

Impediments: *DLA Energy implementation of the existing DLA EBS application and the SAP Oil and Gas Module (Energy Convergence/EC) is underway.*

Acquire to Retire (A2R) Material Weakness Summary Corrective Action Plan

Defense Logistics Agency
Acquire to Retire (A2R) - General Equipment
Summary Corrective Action Plan

FIP Related Assessable Unit: *A2R - Capitalized General Equipment (>$100K)*

First Year Reported: *FY 2013*   **Original Target Date:** *4th Qtr. FY 2013*

Target Date on Prior Year SOA: N/A   **Status:** *On Track*

Current Target Date: *4th Qtr. FY 2013*

Description: *Controls / Reconciliations failure due to lack of guidance and Agency-wide policies & procedures. An effective, consistently applied physical inventory process is not in place to ensure recorded general equipment assets exist and that real property records are complete.*

Corrective Action Summary: *Development of an End to End Standard Operating Procedures (SOP) which will be implemented Agency wide. The E2E SOP will provide specific guidance on what evidential matter must be maintained to support GE. The E2E SOP will describe reconciliation that must be performed by the FSA, in coordination with the APOs, as well as addressing Physical Inventory requirements. Providing targeted training to the field sites on the E2E SOP and to ensure they understand the controls within the process that should be performed.*

Impediments: *New finding being aggressively worked to meet DLA's audit readiness assertion commitment..*

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FIP Related Assessable Unit: *A2R - Real Property Inventory Accuracy - Host Sites*

First Year Reported: *FY 2007*   **Original Target Date:** *2nd Qtr. FY17*

Target Date on Prior Year SOA: *4th Qtr FY 2013*   **Status:** *On Track*

Current Target Date: *4th Qtr. 2013*

Description: *DLA does not have accurate Real Property Inventory (RPI) records for the Host Sites: Columbus, Richmond, San Joaquin, and Susquehanna.*

Corrective Action Summary: *Validation of the real property inventory accuracy will be accomplished via on-site survey and reconciliation of all real property used/occupied at all of the DLA Hosted Sites.*

Impediments: *Completion of the corrective actions associated with this deficiency requires coordinated efforts with the Army. Site visits to verify every asset and reconciliation with the RPIs are required in order to obtain complete and accurate data and supporting documentation.*

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FIP Related Assessable Unit: *A2R - Real Property Inventory Accuracy – Non-Host Sites*

First Year Reported: *FY 2007*

Original Target Date: *2nd Qtr. FY17*

Target Date on Prior Year SOA: *3rd Qtr FY 2014*

Status: *Aligned with DLA Assertions and FIPs*

Current Target Date: *4th Qtr. 2014*

Description:

An effective, consistently applied physical inventory process is not in place to ensure recorded real property assets exist and that real property records are complete.

Corrective Action Summary:

Validation of the real property inventory accuracy will be accomplished via on-site survey and reconciliation of all real property used/occupied at all of the DLA Non-Hosted Sites.

Impediments:

Completion of certain aspects of the corrective actions associated with this deficiency require more extensive efforts to include requirements from newly discovered findings attributed to DLA site reconciliation efforts being conducted with the Military Departments (MILDEPS). Site visits to verify every asset and reconciliation with the RPIs are required in order to obtain complete and accurate data and supporting documentation.

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FIP Related Assessable Unit: *A2R – Real Property Physical Inventory Process – RP Valuation*

First Year Reported: *FY 2007*

Target Date on Prior Year SOA: *2nd Qtr FY 2015*

Current Target Date: *4th Qtr. FY 2015*

Original Target Date: *4th Qtr FY 2008*

Status: *Aligned with DLA Assertions and FIPS*

Description: *An effective, consistently applied physical inventory process is not in place to ensure recorded real property assets exist and that real property records are complete.*

Corrective Action Summary: *Design and implement a revised physical inventory process that will ensure management's assertion on Real Property are supported and reflected accurately in DLA's financial statements and management reports.*

Impediments: *Completion of certain aspects of the corrective actions associated with this deficiency require more extensive efforts to include requirements from newly discovered findings attributed to DLA site reconciliation efforts being conducted with the Military Departments (MILDEPS).*

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FIP Related Assessable Unit: *A2R - Internal Use Software*

First Year Reported: *FY 2009*

Original Target Date: *2nd Qtr. FY 2012*

Target Date on Prior Year SOA: *2nd Qtr. FY 2013*

Status: *Aligned with DLA Assertions and FIPS*

Current Target Date: *4th Qtr. FY 2014*

Description: *Discrepancies exist between recorded asset balances and documentation supporting asset acquisition cost and placed in service date.*

Corrective Action Summary: *Introduce process improvements and ensure they are accomplished via a quarterly monitoring process to ensure property recording of acquisition costs, placed in service dates and adequate supporting documentation. Processes to be outlined in IUS Standard Operating Procedures (SOPs) and implemented utilizing a series of training events.*

Impediments: *Initial training efforts conducted with Core Group SME discovered gaps and indicated a need to modify training to enhance business processes and internal controls relevant to this issue.*

Fund Balance with Treasury (FBwT) Material Weakness
Summary Corrective Action Plan

Defense Logistics Agency
Fund Balance with Treasury (FBwT)
Summary Corrective Action Plan

FIP Related Assessable Unit: *Fund Balance with Treasury -Timely reconciliation of FBwT by DFAS*

First Year Reported: *FY 2006*   **Original Target Date:** *4th Qtr. FY 2006*

Target Date on Prior Year SOA: *3rd Qtr. FY 2012*   **Status:** *Aligned with DLA Assertions and FIPS*

Current Target Date: *4th Qtr. FY 2015*

Description: *Identified variances between Treasury records and Defense Logistics Agency's (DLA's) accounting records that are not being reconciled on a timely basis. The FBwT reconciliation process for DLA is performed through the Consolidated Cash Accountability System (CCAS). DFAS is responsible for performing the CCAS reconciliation timely and follow-up for postings research related to unmatched collections and disbursements. DLA assists in the corrections of these variances by working with DFAS on unsupported amounts.*

Corrective Actions: *DFAS Internal Review (IR) validated the FBwT reconciliation process within the Consolidated Cash Accountability System (CCAS) to include proper CCAS reconciliation process documentation, effective internal controls, and desktop procedures for the resolution of CCAS identified variances. The review resulted in two findings that would affect assertion; one was resolved with enhanced documentation, and the second was remediated through substantive testing. The remaining eight findings were system-related and will be resolved with the CCAS migration from a micro application to an Automated Information System (AIS).*

Impediments: *DFAS is working aggressively to implement the CCAS replacement, and reports they will meet their implementation date..*

Defense Logistics Agency
Fund Balance with Treasury (FBwT)
Summary Corrective Action Plan

FIP Related Assessable Unit*: Fund Balance with Treasury – Documentation for undistributed disbursement and collections*

First Year Reported: *FY 2006*   **Original Target Date:** *4th Qtr. FY 2006*

Target Date on Prior Year SOA: *3rd Qtr. FY 2012*   **Status:** *Aligned with DLA Assertions and FIPS*

Current Target Date: *4th Qtr. FY 2015*

Description: *Unable to provide sufficient, competent evidential documentation to support undistributed disbursement and collection items. DLA and DFAS jointly determined a voucher or equivalent citing a DLA line of accounting is sufficient support for an undistributed disbursement or collection.*

Corrective Action Summary: *Created a DFAS Evidential Matter Team responsible to pull supporting documentation for undistributed disbursements and collections.*

DFAS conducted a third sample testing for the population of FBwT transactions was retrieved from the Consolidated Cash Accountability System (CCAS).

Final remediation pending implementation of CCAS replacement AIS and testing of controls.

Impediments: *DFAS is working aggressively to implement the CCAS replacement, and reports they will meet their implementation date..*

Defense Logistics Agency
Fund Balance with Treasury (FBwT)
Summary Corrective Action Plan

FIP Related Assessable Unit*: Fund Balance with Treasury - Reconciliation process documentation*

First Year Reported: *FY 2006*   **Original Target Date:** *4th Qtr. FY 2006*

Target Date on Prior Year SOA: *3rd Qtr. FY 2012*   **Status:** *Aligned with DLA Assertions and FIPS*

Current Target Date: *4th Qtr. FY 2015*

Description: *Standard processes for the FBwT reconciliation process were not fully documented. In prior audits, DLA did not have a standard DLA cash reconciliation prepared by DFAS and presented and reviewed by DLA. DFAS and DLA worked together on the reconciliation package.*

Corrective Actions: *Documented current processes and procedures*

Developed the cash reconciliation package.

Final remediation pending implementation of CCAS replacement AIS and testing of controls.

Impediments: *DFAS is working aggressively to implement the CCAS replacement, and reports they will meet their implementation date..*

DEFENSE LOGISTICS AGENCY
AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY

Record to Report (R2R)
Material Weakness
Summary Corrective Action Plan

Defense Logistics Agency
Record to Report (R2R)
Summary Corrective Action Plan

**FIP Related Assessable Unit*:* *Record to Report – Enterprise Business System (EBS)   did not meet SFIS data standards*

First Year Reported: *June 2013*   **Original Target Date:** *1st Qtr FY 2014*

Target Date on Prior Year SOA: *N/A*   **Status:** *On Track*

Current Target Date: *1st Qtr FY 2014*

Description of Weakness: *EBS program managers did not configure the DLA ERP system, EBS, to report USSGL financial data using DoD SFIS data standards. Specifically, they did not:*
- properly implement 99 of 222 SFIS business rules, the SFIS Transaction Library posting logic, and 41 of 55 SFIS attributes;
- correctly establish and update the system's capability to record and report DoD SCOA financial data for 241 of 693 DoD reporting accounts; or
- establish the system's capability to generate EBS trial balance data and report it to DDRS.

Corrective Action Summary: *DLA has developed 12 system change requests to be incrementally implemented through December 2013 to become SFIS 10.0 compliant. DoD DCMO is working together with DLA on the implementation.*

Impediments: *Timeline is aggressive given DLA deficiencies in financial data reporting expertise and multiple Treasury USSGL releases during 2nd and 3rd Qtr FY 2013.*

MEMORANDUM FOR THE CHAIR, DLA SENIOR ASSESSMENT TEAM

SUBJECT: Internal Control over Financial Systems Statement of Assurance Report Requirements

The DLA Information Operations conducted an internal review of the effectiveness of the DLA internal controls over financial systems. DLA is able to provide qualified assurance (with deficiencies noted) that the identified financial systems have achieved substantial compliance with the Federal Financial Management Improvement Act and OMB Circular A-127. Testing is in progress on the thirteen DLA and DOD Enterprise Business Systems, using the Federal Information Systems Controls Audit Manual testing procedures. DLA Information Operations also used the Federal Financial Management Improvement Act and OMB Circular A-127 to assess the IT systems.

The DLA Information Operations also asserts that the deficiencies included in the attachment and the related corrective actions and remediation plans for bringing the systems into substantial compliance, are supported by the detail included in Financial Improvement Plans as of May 15, 2013.

Points of contact for this action are Mr. Kevin Quick, (703) 767-2009, DSN 427-2009, or email: kevin.quick@dla.mil and Mr. Lawrence H. Welch, (703) 767-3678, DSN 427-3678 or email: lawrence.welch@dla.mil.

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DN: c=US, o=U.S. Government, ou=DoD,
ou=PKI, ou=DLA,
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Date: 2013.06.05 13:15:55 -04'00'

KATHY CUTLER
Director, DLA Information Operations
Chief Information Office

Attachment

DLA IT Systems Internal Controls over Financial Systems

Background:

The DLA Information Operations conducted an internal review of the effectiveness of the DLA internal controls over financial systems. DLA is able to provide qualified assurance (with deficiencies noted) that the internal controls over the financial systems as of June 30, 2013 are in compliance with the Federal Financial Management Improvement Act (FFMIA) and OMB Circular A-127. Testing is in progress on the thirteen DLA and DOD Enterprise Business Systems, using the Federal Information Systems Controls Audit Manual (FISCAM) testing procedures.

FISCAM Overview:

DLA Information Operations is responsible for assessing selected controls associated with the administration and operation of IT systems that may be relevant to financial reporting processes and overall financial audit readiness of DLA and other DOD Reporting Entities. In support of its assessment, the Technical Infrastructure & Architecture (TIA) team of DLA Information Operations utilized the tailored list of controls from the Government Accountability Office (GAO) Federal Information Systems Control Audit Manual (FISCAM) included in the Office of the Undersecretary of Defense (Comptroller) (OUSD(C)) Financial Improvement and Audit Readiness (FIAR) Guidance (March 2013).

The DLA Information Operations audit readiness activities include the identification and assessment of DLA and DOD Business system Information Technology General Controls (ITGCs) and Business Process Application Controls (BPACs) that are relevant to DLA's financial reporting information system and/or other DOD Reporting Entities relying upon DLA as a Service Provider.

FFMIA Overview:

The Federal Financial Management Improvement Act of 1996 (FFMIA) encourages agencies to have systems that generate timely, accurate, and useful information with which to make informed decisions and to ensure accountability on an ongoing basis.

A financial management system includes the core financial systems and the financial portions of mixed systems necessary to support financial management, including automated and manual processes, procedures, and controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions. The following are examples of financial management systems:

- Core financial systems,
- Procurement systems,
- Payroll systems,
- Budget formulation systems,
- Billing systems, and
- Travel systems.

Substantial compliance is achieved when an agency's financial management systems routinely provide reliable and timely financial information for managing day-to-day operations as well as to produce reliable financial statements, maintain effective internal control, and comply with legal and regulatory requirements. FFMIA substantial compliance will be determined annually at the department-wide or agency-wide level.

Systems Overview:

I. **DLA Systems**: DLA Information Operations is conducting an audit readiness of eight IT systems that are material to DLA Financial Systems. A summary of the systems are included below:

    1.   Enterprise Business System (EBS)
        a. Description: EBS is a commercial off-the-shelf Enterprise Resource Planning (ERP) solution that DLA uses to manage its supply chains and facilities for over 22,000 users operating in 28 countries worldwide.
        b. Testing**:** FISCAM/FFMIA

    2.   Department of Defense Electronic Mall (DOD EMALL)
        a. Description: (DOD EMALL) is a web based online ordering platform providing a full service e-Commerce site to find and acquire off the shelf, finished goods and services from the commercial marketplace and government sources for the Defense Department and other State and Federal agencies.
        b. Testing: FISCAM

    3.   Distribution Standard System (DSS)
        a. Description: DSS is the DLA's automated system that supports basic distribution processes of receipt, storage, stock selection, packing, shipment planning/transportation, as well as specialized functions to include container consolidation point, kitting, set assembly, theater consolidation and shipping, and reverse logistics.

        There are two DISA Defense Enterprise Computing Centers (DECCs) that execute DSS production copies located at Mechanicsburg, PA and Ogden, UT. Each data center serves as a Continuity of Operations Programs (COOP) for each other.

        DSS takes advantage of real-time processing to introduce a paperless environment into the distribution business area and provides the platform to move to tailored logistics support. DSS improves management of distribution function by adding process control and warehouse discipline, and is more technically current and flexible than legacy systems.

        DSS combines a traditional wholesale distribution system with retail distribution and disposition services. DSS is currently used by 26 depots across the US and abroad. The four DLA Lead Centers that rely on DSS most heavily include Aviation located in Richmond, VA; Disposition, located in Battle Creek, MI; Land & Maritime, located in Columbus, OH; and Distribution, located in New Cumberland, PA. DISA plays important roles in supporting this system's ongoing technical operation, including, but not limited to, hosting the hardware and operating system on which this application runs.

b. Testing: FISCAM/FFMIA

4. **Defense Automated Addressing System/Global Exchange System (DAAS/GEX)**

a. Description: DAAS/GEX is operated and maintained by DLA Transaction Services, a program management office within DLA Information Operations. DAAS/GEX consists of four operating components that are called 'profiles'. DAAS/GEX profiles are listed below:

- The DLA Transaction Services Baseline Environment (DBASE) profile provides the common services environment for DLA Transaction Services consisting of the infrastructure components needed for facility maintenance and modifications, physical and data security requirements, network infrastructure and enterprise storage required for the exchange of data between the other DAAS/GEX profiles and DLA Transaction Services' diverse external customer base.

- The DOD Gateway (DGATE) profile serves as the 'front door' to receive and transmit the majority of the logistics data from and to a myriad of activities that operate within the logistics community.

- The DOD Data Services (DDATA) profile captures and reports on logistics data processed through the DLA Transaction Services, and maintains DOD level system repositories in support of their customer base of over 193,000 activities located around the world.

- The DOD Electronic Business (EBUS)/GEX and BTA GEX profile provides enterprise service infrastructure for business system integration. EBUS/GEX provides data transformation, communication protocol adaptation and message brokering between multiple DOD and Federal Government Agencies as well as commercial industry.

Transactions are serviced through DAAS/GEX at two sites operated by DLA Transaction Services located in Dayton, OH and Tracey, CA. These sites allow for concurrent transition processing capability, including load balancing to manage transaction volume and function as simultaneous backups to each other.

DAAS's GEX profile is hosted at the DISA Defense Enterprise Computing Center (DECC) in Ogden, UT. The GEX's Continuity of Operations Planning (COOP), test and development environments are hosted at DISA DECC in Mechanicsburg, PA. Accordingly, DISA is responsible for shared aspects of access control, configuration management, segregation of duties, security management and contingency planning controls supporting the database, operating system, and network environments of GEX. Of important note is that the processing services provided by the BTA GEX profile are being incorporated into the EBUS/GEX profile, which is hosted by DLA Transaction Service's at its Dayton, OH and Tracy, CA facilities. This project is being carried out through a phased implementation approach whereby user entities processed through BTA GEX are being migrated over to EBUS/GEX through fiscal year (FY) 2015.

b. Testing: FISCAM

5. **DLA Defense Medical Logistics Standard Support – Wholesale (DMLSS-W)**
   a. Description: DMLSS provides automation support of reengineered medical logistics business practices and delivers comprehensive range of materiel, equipment, and facilities management information systems. The DMLSS automated information system was developed and deployed to enhance health care delivery in peacetime and to promote wartime readiness and sustainability. DMLSS will replace the multitude of aging legacy logistics systems with one standard DoD Medical Logistics System, enabling health care providers to spend very little time on logistics and more time on primary health care delivery mission activities.
   b. Testing: FISCAM/FFMIA

6. **Subsistence Total Order and Receipt Electronic System (STORES)**
   a. Description: The STORES application is a Government Off-The-Shelf (GOTS), custom-developed software for DOD that provides military, non-military customers, and the DLA Troop Support personnel with the means to view catalog information, order subsistence product, and receipt subsistence products. It also allows vendors with the opportunity to create and make adjustments to Invoices. The primary business function of STORES is to process food orders for the armed services. DLA Troop Support maintains ownership of STORES and has delegated the responsibility for maintaining STORES to the STORES PMO. STORES enables the Military Services to send requirements for milk, bread, and all other grocery items to regionally specific prime vendors via electronic data interchange (EDI). The STORES environment is a mixed information system that interfaces with the Enterprise Business System (EBS) by forwarding customer orders, receipts, adjustments, and vendor invoices. STORES also interfaces with various systems, including DLA Transaction Services' Defense Automated Addressing System/Global Exchange (DAAS/GEX), the Navy's Standard Automated Logistics Tool Set (SALTS), DLA's Enterprise Business System (EBS), and DLA's Support Planning Integrated Data Enterprise Readiness System (SPIDERS).
   b. Testing: FISCAM/FFMIA

7. **Fuels Manager Defense (FMD)**
   a. Description: FMD Suite is a server-based application used by Defense Fuel Support Points (DFSP) for inventory management and daily accounting of DLA Energy fuel transactions.
   b. Testing: FISCAM/FFMIA

8. **Employee Activity Guide for Labor Entry (EAGLE)**
   a. Description: EAGLE provides a single web-based system to collect data on DLA Civilians for the purpose tracking time and attendance data to
      - Include overtime and leave hours
      - Track accounting information and workload / project activity for analysis and reporting purposes
      - Provide statistical reporting on leave and overtime use, number of employee's teleworking, etc.; and for costing capabilities.

b. Testing: FISCAM/FFMIA

II. **Defense Business Systems:** DLA Information Operations is conducting an audit readiness assessment of five IT systems that are material to DOD component financial statement reporting. A summary of the systems are included below:

1. **Defense Agencies Initiative (DAI)**
   a. Description: DAI is a DOD effort to modernize financial management capabilities by transforming the budget, finance, and accounting operations of most Defense Agencies to achieve accurate and reliable financial information in support of financial accountability and decision-making.
   b. Testing: FISCAM/FFMIA

2. **Defense Travel System (DTS)**
   a. Description: DTS is a fully integrated, automated, end-to-end travel management system that enables DOD travelers to create authorizations and reservations, receive approvals, generate travel vouchers, and receive a split disbursement between their bank account and the Government Travel Charge Card.
   b. Testing: FISCAM/FFMIA

3. **Enterprise Funds Distribution (EFD)**
   a. Description: EFD provides visibility of funds distributed through and across the DOD, as well as integrate with service and agency funds distribution systems.
   b. Testing: FISCAM/FFMIA

4. **Wide Area Work Flow (WAWF)**
   a. Description: WAWF is a secure web based system for electronic invoicing, receipt, and acceptance. WAWF allows government vendors to submit and track invoices and receipt/acceptance documents in real-time.
   b. Testing: FISCAM/FFMIA

5. **Electronic Document Access (EDA)**
   a. Description: The Electronic Document Access (EDA) program is one of the Defense Logistics Agency (DLA) Sourcing Environment programs. EDA supports the goals of the DLA to simplify and standardize the methods that DoD uses to interact with commercial and government suppliers in the acquisition of catalog, stock, as well as made-to-order and engineer-to-order goods and services initiatives to increase the application of Electronic Business/Electronic Commerce (EB/EC) across the Department of Defense (DoD). The EDA is a web-based system that provides secure online access, storage, and retrieval of Contracts, Contract modifications, Government Bills of Lading (GBLs), DFAS Transactions for Others (E110), Vouchers, and Contract Deficiency Reports to authorized users throughout the DoD. EDA provides for the online creation of Contract Deficiency Reports (CDRs) and the CDR Workflow. EDA offers two concurrent operating sites (Ogden and Columbus). Standard operating procedure mirrors data between sites.
   b. Testing: FISCAM

Current Testing Status – FISCAM Overview (As of May 14, 2013) includes ITGC[1] and Application Security (AS) BPAC[2]s:

DLA Systems:

System Name	Final FISCAM Assessment Report Date	Final Notice of Findings (NOF) issued	Final Corrective Action Plans (CAP) issued
DAAS/GEX	Completed 4/30/2013	4	2
DMLSS-W	Completed 5/3/2013	6	4
DOD EMALL	Completed 4/5/2013	11	5
DSS	Completed 4/5/2013	12	5
EAGLE	Completed 3/5/2013	3	2
EBS*	Pending Completion 6/7/2013	17	5
FMD*	Pending Completion 11/15/2013	0	0
STORES	Completed 4/5/2013	8	4

*Systems Pending Final Reports

Defense Business Systems:

System Name	Final FISCAM Assessment Report Date	Final Notice of Findings (NOF) issued	Final Corrective Action Plans (CAP) issued

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[1] IT General Control
[2] Business Process Application Control

DAI	Completed 4/30/2013	14	5
DTS	Completed 4/5/2013	13	5
EDA	Completed 3/1/2013	9	3
EFD	Completed 4/5/2013	10	4
WAWF	Completed 4/5/2013	7	3

Current Testing Status – FFMIA Overview (As of May 14, 2013):

DLA Systems:

System Name	Final FFMIA Assessment Report Date	# of Federal Financial Management Requirement (FFMR) Currently in Scope	# of Total Notice of Findings (NOF) issued	# of FFMIA Corrective Action Plans (CAP) issued
DMLSS—W*	7/26/2013	103	-	-
ECAT	7/26/2013	61	-	-
MRA	7/26/2013	42	-	-
DSS*	8/23/2013	164	-	-
EAGLE*	7/26/2013	79	-	-
EBS*	11/8/2013	1444	-	-
STORES*	7/26/2013	46	-	-

*Systems Pending Final Reports

Defense Business Systems:

System Name	Final FFMIA Assessment Report Date	# of Federal Financial Management Requirement (FFMR) Currently in Scope	# of Total Notice of Findings (NOF) issued	# of FFMIA Corrective Action Plans (CAP) issued
DAI*	8/30/2013	1104	-	-
DTS*	6/28/2013	100	-	-

EFD*	5/31/2013	169	10	-
WAWF	4/30/2013	226	4	3

*Systems Pending Final Reports

Notice of Findings/Corrective Action Plan Summary:

Currently, DLA is completing all relevant testing efforts for the above stated systems. The testing efforts will yield documented notice of findings which will be developed into corrective action plans. All corrective action plans will have defined completion dates and description for deficiency remediation. To date, there have been no material weaknesses identified through the DLA system testing.

Risks, Challenges and Mitigating Activity:

DLA Information Operations recognizes two significant challenges to the internal controls over financial systems:

1. Ability to identify business process application controls for all IT systems to insure DLA can provide adequate assurance to support financial systems assertions.
    a. Mitigation: Actively working with Business Cycle Teams and DOD Customers to identify, test, and validate key automated controls identified through process discovery.
2. Ability to complete Service Provider report activities prior to our customer's financial statement assertions.
    a. Mitigation: DLA continues to work collaboratively with OSD(C) working groups to obtain clear requirements for Reporting Entity assertion timeline and scope requirements.

FISCAM Testing and Findings
as of June 21

- FISCAM testing performed covered the following control areas:
  - IT General Controls (ITGC)
  - Application-Level General Controls (AS)

- As control weaknesses were identified during testing, Notice of Findings (NOFs) were created detailing the issue with Corrective Action Plans (CAPs) created to consolidate NOFs and begin steps for remediation.

	NOFs Issued by FISCAM Control Family					TOTAL NOFs	TOTAL CAPs	TOTAL PIOs
	Security Management	Access Controls	Configuration Management	Contingency Planning	Segregation of Duties			
DLA Systems								
DAAS	0	2	2	0	0	4	2	1
DMLSS-W	1	3	0	1	1	6	4	0
DOD EMALL	3	3	3	1	1	11	5	0
DSS	3	5	2	1	1	12	5	4
EAGLE	0	2	1	0	0	3	2	4
EBS	2	8	4	1	2	17	5	3
FMD	-	-	-	-	-	-	-	-
STORES	0	5	1	1	1	8	4	0
DOD Systems								
DAI	5	5	2	1	1	14	5	1
DTS	2	5	2	1	3	13	5	4
EDA	0	5	3	0	1	9	3	4
EFD	2	5	2	1	0	10	4	1
WAWF	0	4	2	0	1	7	3	0
TOTALS	18	52	24	8	12	114	47	22

DAAS NOF/CAP Status - FISCAM

NOF	NOF Description	CAP	CAP Description	ECD
NOF-13-DAAS-FISCAM-0002	The sample request from the user population contained many accounts that did not fully follow the System Access Request (SAR) process.	Access Controls CAP	DAAS system account management and audit and monitoring procedures need improvement.	6/28/13
NOF-13-DAAS-FISCAM-0003	Password parameters are not monitored.			
NOF-13-DAAS-FISCAM-0004	Access to source code in not restricted.	Configuration Management CAP	Access to DAAS source code is not restricted and system change testing standards are not formally documented.	6/28/13
NOF-13-DAAS-FISCAM-0006	System change testing standards are not formally documented.			

DMLSS- W NOF/CAP Status - FISCAM

NOF	NOF Description	CAP	CAP Description	ECD
NOF-13-DMLSS-FISCAM-0006	Roles and responsibilities across DMLSS-W are not formally defined	Security Management CAP	Roles and responsibilities across DMLSS-W are not formally defined	8/30/13
NOF-13-DMLSS-FISCAM-0001	DMLSS and ClearTrust security logging and monitoring processes have not been fully implemented.	Access Controls CAP	DMLSS and ClearTrust security logging and monitoring processes have not been fully implemented. DMLSS-W need to improve its MRA application user account management and update account management policy.	8/30/13
NOF-13-DMLSS-FISCAM-0004	MRA application user account management needs improvement			
NOF-13-DMLSS-FISCAM-0005	DMLSS-W account management policy should be updated and approved			
NOF-13-DMLSS-FISCAM-0003	A full-scale disaster recovery test has not been performed for DMLSS-W	Contingency Planning CAP	A full-scale disaster recovery test has not been performed for DMLSS-W	8/30/13
NOF-13-DMLSS-FISCAM-0002	Formal DMLSS-W Segregation of Duties Policies and Procedures have not been developed	Segregation of Duties CAP	Formal DMLSS-W Segregation of Duties Policies and Procedures have not been developed.	8/30/13

DOD EMALL NOF/CAP Status - FISCAM

NOF	NOF Description	CAP	CAP Description	ECD
NOF-FY13-EMALL-FISCAM-0001	The DOD EMALL Risk Assessment is not documented in accordance with applicable requirements.	Security Management CAP	Policies and Procedures for the DOD EMALL system's security management are not properly documented.	9/30/13
NOF-FY13-EMALL-FISCAM-0002	The DOD EMALL System Security Plan (SSP) did not reference or document the risk assessment			
NOF-FY13-EMALL-FISCAM-0011	DoD EMALL does not have documented policies and procedures for monitoring third party activities.			
NOF-FY13-EMALL-FISCAM-0004	DOD EMALL periodic review of administrative access	Access Controls CAP	The access control process to the DOD EMALL system is not properly reviewed and approved.	9/30/13
NOF-FY13-EMALL-FISCAM-0005	DD Form 2875 System Authorization Access Request forms are incomplete or could not be provided			
NOF-FY13-EMALL-FISCAM-0006	DOD EMALL could not provide evidence for the review of Audit Logs			
NOF-FY13-EMALL-FISCAM-0007	DOD EMALL did not provide approvals for the migration of selected changes into the production environment	Configuration Management CAP	Configuration Management Polices and procedures for DOD EMALL system are not documented and implemented.	9/30/13
NOF-FY13-EMALL-FISCAM-0009	DOD EMALL did not have documented procedures defining source code library rules			
NOF-FY13-EMALL-FISCAM-0010	DOD EMALL did not have documented Emergency Change policies or procedures			
NOF-FY13-EMALL-FISCAM-0008	DOD EMALL did not provide a Business Impact Assessment (BIA)	Contingency Planning CAP	DOD EMALL did not provide a Business Impact Assessment (BIA).	9/30/13
NOF-FY13-EMALL-FISCAM-0003	DOD EMALL administrators had incompatible duties.	Segregation of Duties CAP	DOD EMALL administrators have incompatible duties	9/30/13

DSS NOF/CAP Status - FISCAM

NOF	NOF Description	CAP	CAP Description	ECD
NOF-13-FISCAM-DSS-0007	DIACAP evidence used to support the DAA's DSS authorization decision was incomplete	Security Management CAP	Several controls for the DSS Security Management, such as validation process, documentation process and remediation management, are inadequate	9/30/13
NOF-13-FISCAM-DSS-0008	Management of Remediation of Information Security Weaknesses for the Distribution Standard System (DSS) Needs Improvement			
NOF-13-FISCAM-DSS-0009	Documentation demonstrating the rationale for accepting as compliant certain Distribution Standard System (DSS) controls inherited, in whole or in part, from Defense Information Systems Agency (DISA) Enterprise Services Directorate (ESD) is inadequate			
NOF-13-FISCAM-DSS-0003	Inability to obtain population of DSS User Lists (East and West) in a suitable format to facilitate selected access control tests	Access Controls CAP	The Access Control policies and procedures were not documented and implemented. Additionally, the evidence of periodic review was not provided.	9/30/13
NOF-13-FISCAM-DSS-0004	DSS logging and monitoring policy and procedures need to be formalized			
NOF-13-FISCAM-DSS-0005	Lack of evidence of periodic access reviews by TASOs			
NOF-13-FISCAM-DSS-0006	DSS access provisioning process needs to be documented			
NOF-13-FISCAM-DSS-0012	Lack of adherence to the DLA System Access policy in granting user access to DSS application			
NOF-13-FISCAM-DSS-0010	Program change documentation was not consistently completed.	Configuration Management CAP	Program change documentation was not consistently completed. In addition, Production program access was not restricted in consideration of valid job responsibilities and segregation of duties principles.	9/30/13
NOF-13-FISCAM-DSS-0011	Production program access was not restricted in consideration of valid job responsibilities and segregation of duties principles.			
NOF-13-FISCAM-DSS-0001	The criticality and sensitivity of DSS application business functions have not been documented.	Contingency Planning CAP	The criticality and sensitivity of DSS application business functions have not been documented.	9/30/13
NOF-13-FISCAM-DSS-0002	Lack of documentation and implementation of processes for enforcing segregation of duty processes and managing sensitive transactions and resources within DSS.	Segregation of Duties CAP	Lack of documentation and implementation of processes for enforcing segregation of duty processes and managing sensitive transactions and resources within DSS.	9/30/13

EAGLE NOF/CAP Status - FISCAM

NOF	NOF Description	CAP	CAP Description	ECD
NOF-13-FISCAM-EAGLE-0001	The EAGLE Audit and Monitoring Process Needs Improvement	Access Controls CAP	EAGLE system account management and audit and monitoring procedures need improvement.	6/28/13
NOF-13-FISCAM-EAGLE-0002	EAGLE system account management needs improvement			
NOF-13-FISCAM-EAGLE-0003	Separation of Duties for the EAGLE Environment is not documented for sensitive users	Configuration Management CAP	Separation of duties for the EAGLE environment is not documented for sensitive users.	6/28/13

EBS NOF/CAP Status - FISCAM

NOF	NOF Description	CAP	ECD
NOF-13-EBS-FISCAM-07	A process for monitoring external information system services has not been established.	Security Management CAP	9/30/13
NOF-13-EBS-FISCAM-09	Lack of Privacy Impact Assessment (PIA)		
NOF-13-EBS-FISCAM-01	Embedded passwords in EBS program source code	Access Controls CAP	9/30/13
NOF-13-EBS-FISCAM-02	Lack of process in place for identifying, documenting, restricting, and monitoring access to sensitive and powerful transactions within EBS		
NOF-13-EBS-FISCAM-08	Lack of processes over EBS application security audit logging and review		
NOF-13-EBS-FISCAM-10	Lack of a process in place over managing EBS generic/shared application user accounts		
NOF-13-EBS-FISCAM-11	Lack of a process in place for managing emergency/temporary elevated access to EBS		
NOF-13-EBS-FISCAM-12	Annual revalidation of EBS application users deficiency		
NOF-13-EBS-FISCAM-14	Lack of a process in place for identifying and disabling inactive and terminated EBS application user accounts		
NOF-13-EBS-FISCAM-16	EBS application user access provisioning deficiency		
NOF-13-EBS-FISCAM-04	Lack of process in place for managing changes to EBS production client settings	Configuration Management CAP	9/30/13
NOF-13-EBS-FISCAM-05	Lack of evidence of testing for EBS configuration changes		
NOF-13-EBS-FISCAM-13	Lack of process in place for identifying, documenting, restricting, and monitoring access to SAP-supplied default powerful application user profiles		
NOF-13-EBS-FISCAM-15	EBS Application Vulnerability Process Deficiency		
NOF-13-EBS-FISCAM-03	The Enterprise Business System (EBS) Business Impact Analysis (BIA) is outdated	Contingency Planning	9/30/13
NOF-13-EBS-FISCAM-06	Lack of a process in place over segregation of incompatible transactions and activities within EBS	Segregation of Duties	9/30/13
NOF-13-EBS-FISCAM-17	Lack of a process in place over segregation of incompatible transactions and activities within EBS		

STORES NOF/CAP Status - FISCAM

NOF	NOF Description	CAP	CAP Description	ECD
NOF-13-STORES-FISCAM-0001	STORES application security logging and monitoring processes have not been fully implemented.	Access Control CAP	STORES system account management and audit and monitoring procedures need improvement.	8/30/13
NOF-13-STORES-FISCAM-0004	User access reviews are not performed for the STORES application.			
NOF-13-STORES-FISCAM-0005	Weaknesses exist in STORES' Account Management process			
NOF-13-STORES-FISCAM-0006	Weaknesses exist in the STORES Database Account Management process			
NOF-13-STORES-FISCAM-0008	STORES Database security logging and monitoring processes need enhancement			
NOF-13-STORES-FISCAM-0007	Configuration Management process for the STORES Database needs improvement	Configuration Management CAP	Configuration Management process for the STORES Database needs improvement.	8/30/13
NOF-13-STORES-FISCAM-0002	STORES application contingency planning need improvement	Contingency Planning CAP	STORES application contingency planning needs improvement.	8/30/13
NOF-13-STORES-FISCAM-0003	Formal STORES Segregation of Duties Policies and Procedures have not been developed.	Segregation of Duties CAP	Formal STORES Segregation of Duties Policies and Procedures have not been developed.	8/30/13

DAI NOF/CAP Status - FISCAM

NOF	NOF Description	CAP	CAP Description	ECD
NOF-13-DAI-FISCAM-0001	Incomplete System Design Document (SDD): Security Plan	Security Management CAP	DAI security management needs improvement.	6/28/13
NOF-13-DAI-FISCAM-0002	Incomplete Risk Assessment/Risk Policies and Procedures			
NOF-13-DAI-FISCAM-0007	Incomplete Entrance/Exit Procedures			
NOF-13-DAI-FISCAM-0008	Incomplete Vulnerability Management Procedures			
NOF-13-DAI-FISCAM-0015	Lack of Security Training Documentation			
NOF-13-DAI-FISCAM-0004	DAI security logging and monitoring processes need enhancement	Access Control CAP	DAI system account management and audit and monitoring procedures need improvement.	6/28/13
NOF-13-DAI-FISCAM-0011	Oracle database account management needs improvement			
NOF-13-DAI-FISCAM-0012	DAI application account management needs improvement			
NOF-13-DAI-FISCAM-0013	DAI is missing interface agreements for Non-DLA Transaction Services interfaces			
NOF-13-DAI-FISCAM-0014	The DAI Security Design Document (SDD) is not current			
NOF-13-DAI-FISCAM-0005	Configuration management plan lacks formal approval	Configuration Management CAP	The DAI Configuration Management Plan lacks formal approval and configuration audits are not run as prescribed.	6/28/13
NOF-13-DAI-FISCAM-0006	Configuration Management Weaknesses			
NOF-13-DAI-FISCAM-0003	DAI contingency plan is not formally documented and approved by management	Contingency Planning CAP	The DAI Contingency Plan is not formally documented and approved by management	6/28/13
NOF-13-DAI-FISCAM-0010	Incomplete Segregation of Duties Policies and Procedures	Segregation of Duties CAP	Incomplete Segregation of Duties Policies and Procedures.	6/28/13

DTS NOF/CAP Status - FISCAM

NOF	NOF Description	CAP	CAP Description	ECD
NOF-13-DTS-FISCAM-0001	DTS system documents were not updated and formally approved	Security Management CAP	DTS SM monitoring procedures and activities need improvement.	9/30/13
NOF-13-FISCAM-DTS-0012	Policies and procedures for monitoring activities of third party providers were not developed and defined.			
NOF-13-DTS-FISCAM-0004	DTS Application audit logs were not periodically reviewed	Access Control CAP	DTS system account management and audit and monitoring procedures need improvement.	9/30/13
NOF-13-FISCAM-DSS-0008	Management of Remediation of Information Security Weaknesses for the Distribution Standard System (DSS) Needs Improvement			
NOF-13-FISCAM-DSS-0005	DTS Infrastructure system audit log review processes were not formally defined and implemented.			
NOF-13-DTS-FISCAM-0010	DTS new system software user access forms did not included documented approvals.			
NOF-13-DTS-FISCAM-0011	DTS application administrator access procedures were not documented.			
NOF-13-DTS-FISCAM-0002	DTS Change management approvals not consistently documented.	Configuration Management CAP	The procedures and activities for the DTS CM reviews and approvals need improvement.	9/30/13
NOF-13-DTS-FISCAM-0009	DTS Configuration Management Tools access reviews not consistently performed			
NOF-13-DTS-FISCAM-0006	DTS Application backups were not consistently performed	Contingency Planning CAP	DTS data back-up monitoring procedures and activities need improvement.	9/30/13
NOF-13-DTS-FISCAM-0003	DTS System Software Access Management Processes are inconsistent	Segregation of Duties CAP	The roles and responsibilities among the DTS users are not properly segregated.	9/30/13
NOF-13-DTS-FISCAM-0007	DTS System software and application access was not consistently segregated among individual users.			
NOF-13-DTS-FISCAM-0013	Developers have access to DTS's production environment.			

EDA NOF/CAP Status - FISCAM

NOF	NOF Description	CAP	CAP Description	ECD
NOF-13-EDA-FISCAM-0001	Users' DD2875 forms were not consistently completed	Access Control CAP	EDA access controls need improvement by updating policies and procedures, security logging and monitoring and user account management.	9/30/13
NOF-13-EDA-FISCAM-0002	Users access was not periodically recertified			
NOF-13-EDA-FISCAM-0003	Inactive EDA system user accounts were not disabled or deleted			
NOF-13-EDA-FISCAM-0004	Terminated staffs' user accounts were not disabled or deactivated			
NOF-13-EDA-FISCAM-0004	Application level audit logging and review processes were undefined/undocumented			
NOF-13-EDA-FISCAM-0006	EDA system change approvals were not documented	Configuration Management CAP	EDA configuration management needs improvement by improving processes over the approval and testing of system changes.	9/30/13
NOF-13-EDA-FISCAM-0007	Challenges obtaining audit evidence from a service provider/lack of documentation evidencing certain change management processes were appropriately performed.			
NOF-13-EDA-FISCAM-0008	Deficiencies associated with the management of the Serena Dimensions change management tool			
NOF-13-EDA-FISCAM-0009	Lack of policies and procedures over separation and monitoring of incompatible activities	Segregation of Duties CAP	Lack of policies and procedures over separation and monitoring of incompatible activities.	9/30/13

EFD NOF/CAP Status - FISCAM

NOF	NOF Description	CAP	CAP Description	ECD
NOF-13-EFD-FISCAM-0003	Roles and responsibilities across EFD are not formally defined	Security Management CAP	EFD security management needs improvement through defining security roles and responsibilities and improving assessment of security controls.	9/30/13
NOF-13-EFD-FISCAM-0005	EFD security controls assessment needs improvement			
NOF-13-EFD-FISCAM-0001	Access control policies and procedures needs improvement	Access Control CAP	EFD access controls need improvement by improving policies and procedures, security logging and monitoring and user account management.	9/30/13
NOF-13-EFD-FISCAM-0004	EFD security logging and monitoring processes need enhancement			
NOF-13-EFD-FISCAM-0006	Controls for managing application administration accounts needs improvement			
NOF-13-EFD-FISCAM-0007	Operating system (OS) and database (DB) account management weaknesses			
NOF-13-EFD-FISCAM-0008	Audit logging segregation of duties weaknesses			
NOF-13-EFD-FISCAM-0002	EFD configuration management plan needs improvement	Configuration Management CAP	The EFD Configuration Management Plan and configuration processes for operating systems and databases need improvement.	9/30/13
NOF-13-EFD-FISCAM-0009	EFD configuration management for operating systems and databases needs improvement			
NOF-13-EFD-FISCAM-0010	EFD Continuity of Operations Plan (COOP)	Contingency Planning CAP	The EFD Continuity of Operations Plan (COOP) needs to be implemented and periodically tested.	9/30/13

WAWF NOF/CAP Status - FISCAM

NOF	NOF Description	CAP	CAP Description	ECD
NOF-13-WAWF-FISCAM-0001	WAWF system level access control policies have not been developed, authorized, and implemented.	Access Control CAP	WAWF system level access controls need policies and regular management reviews	6/28/13
NOF-13-WAWF-FISCAM-0003	WAWF system administration access activities are not monitored.			
NOF-13-WAWF-FISCAM-0004	WAWF PMO periodic review of administrative accounts is not performed.			
NOF-13-WAWF-FISCAM-0005	WAWF PMO had not removed access for inappropriate and inactive application accounts.			
NOF-13-WAWF-FISCAM-0006	WAWF Configuration Management documents are not updated to reflect current conditions.	Configuration Management CAP	The WAWF PMO did not develop, authorize, or implement policies and procedures for Configuration Management within the WAWF system.	6/28/13
NOF-13-WAWF-FISCAM-0007	WAWF PMO policies and procedures for monitoring changes were not implemented.			
NOF-13-WAWF-FISCAM-0002	WAWF segregation of duties policies have not been developed, authorized, and implemented.	Segregation of Duties CAP	The WAWF PMO did not develop, authorize, or implement policies and procedures for governing incompatible duties within the WAWF system.	6/28/13

TAB D

CORRECTIVE ACTION PLANS AND MILESTONES

Detail of Uncorrected Material Weakness and Corrective Action Plans

Internal Control Reporting Category: Procurement

Targeted Correction Date: 2nd Qtr. 2014

Description of Material Weakness: PACE: DLA did not have an effective and consistent oversight process to validate that prices paid for Procurement Automated Contract Evaluation (PACE) awards at three DLA supply centers were fair and reasonable. PACE is scheduled to retire in the 3rd quarter 2014. Many of the identified weaknesses will be eliminated once AUTO-EVAL, the replacement tool, is in place.

Detailed Corrective Action Plan:

Date	Milestone
Completed	Implement new policy to standardize the review of DLA automated procurement system functional outcomes, pricing parameters and contracting officer training on PACE defining consent to use of electronic signatures.
Completed	Implement system upgrade to allow for different pricing percentage criteria for different dollar value increments.
Completed	Complete analysis identifying impacts of processing all priority 02 and 03 requests for non-stocked items with similar urgency applied to priority 01 items.
Completed	Functional outcomes of fully automated awards, at all three field activities, were not compliant with all requirements of law, executive orders, regulations, and other applicable procedures, and were not consistent with procedures and outcomes that would have occurred if the award had been processed manually.
Completed	Our initial review noted instances were noted when an incorrect price reasonableness code was applied as the pricing logic flipped codes "XB", based on competition, and "XG", based on comparison to history. This issue was fixed in April 2012 and is closed.
2nd Qtr. FY 2014	Submitted five trouble tickets submitted between July 14, 2011 and June 18, 2012 to correct the following issues: incorrect purchase history,

	incorrect historical contracts used in the evaluation, incorrect adjusted lowest price paid (ALPP), and the mismatch between the reason for the program logic drop to a manual award and the reason printed on the abstract. As of March 18, 2013 one ticket has been completed and three are in the process of being validated and closed. The PACE abstract ticket has not been prioritized and work has not started. We will continue to monitor this ticket.
4th Qtr. FY 2013	Develop plan to complete the training material and schedule for training dates.
2nd Qtr. FY 2014	Pricing parameter settings lack flexibility to allow adjustments to be made consistent with market changes. Addressed this finding by determining an annual inflationary factor for the automated evaluation logic in response to this APSIC finding and PROCLTR 12-40 dated June 28, 2012. This finding remains open until the inflation factor is updated.

Internal Control Reporting Category: *Procurement*

Targeted Correction Date: 1st Qtr. 2014

Description of Material Weakness: <u>AUTOMATED AWARDS: NO BIDS</u>: Lack of quotes from suppliers on items that solicited through the automation process. Impact is lack of awards, degrading customer support and increasing manual workload due to the inability to award through automation.

Detailed Corrective Action Plan:

Date	Milestone
1st Qtr. FY 2014	Automated awards no-bids result from a lack of commercial sources that either is readily available or that are aware DLA has an immediate requirement. A System Change Request (SCR) is in process to issue automated emails to approved suppliers before automated solicitation has closed. The purpose of this SCR is to increase the marketing our DLA requirements in an effort to spur commercial interests. Additionally, J7 is developing acquisition strategy to place greater focus on the types of items and commodities that result in no-bids, including greater use of reverse auctioning. The overall measurement of success will be the determination of the reduction in the number of no-bids. It is recognized that no-bids

| | cannot be completely eliminated due to the volume of low-dollar and infrequently purchased items that are solicited. |

Internal Control Reporting Category: *Procurement*

Targeted Correction Date: 2nd Qtr. 2014

Description of Material Weakness: <u>AUTOMATED AWARDS: PRICING</u>: Lack of quotes from suppliers on items that solicited through the automation process. Impact is lack of awards, degrading customer support and increasing manual workload due to the inability to award through automation.

Detailed Corrective Action Plan:

Date	Milestone
Completed	Automated award rejections result from quoted prices above a percentage threshold in comparison historical prices (considering inflation). Federal Acquisition Regulations require price reviews when prices exceed 25% of last price paid for awards above the micro-purchase threshold. The price threshold for micro-purchases and simplified acquisitions was increased in May and June 2013 to the highest level possible to not violate Federal Acquisition Regulations.
2nd Qtr. 2014	Price rejections above those levels still require manual review to comply with Federal Acquisition Regulations. J7 continues to review price thresholds in compliance with FAR to eliminate manual procurements as much as possible.

Internal Control Reporting Category: Procurement

Targeted Correction Date: 3rd Qtr. FY 2014

Description of Material Weakness: <u>PROCUREMENT PROCESS WEAKNESS</u>: There are several process weaknesses identified by J7 in Procurement Management Reviews of contracting activities. These are not system related deficiencies, but rather non-adherence to procurement policies by contracting personnel.

Detailed Corrective Action Plan:

Date	Milestone
3rd Qtr. FY 2014	Remedial training provided to contracting personnel and will be monitored through PMR compliance reviews for adherence to policy. Specific training will include FAR 9.4 requirements to ensure debarred, suspended or contractors that are proposed for debarment are excluded from receiving contract awards. Compliance with regulations to review Excluded Parties List System (EPLS) prior to award is not always obtained.
3rd Qtr. FY 2014	File Content: DD2579 – Contracting Officers are not signing the DD2579. The DD 2579 desired compliance rate of 100% is not being attained by any of the DLA Aviation sites. The DD2579 has a signature block for the Contracting Officer to sign, acknowledging receipt and concurrence with the recommendation of the Small Business Office. This block should always be signed by the Contracting Officer. J7 will continue to monitor compliance during PMRs.
3rd Qtr. FY 2014	DLA Acquisition (J7) will implement a system change to preclude manual buys from being awarded to listed contractors.

Internal Control Reporting Category: Procurement

Targeted Correction Date: 2nd Qtr. FY 2014

Description of Material Weakness: PRICING: Contracting personnel are not following procurement policy for pricing analysis as it relates to historical pricing.

Date	Milestone
2nd Qtr. FY 2014	File Content: Pricing Support – The pricing support documents desired compliance rate of 100% is not being attained by any of the DLA Aviation Sites. Obtaining pricing documentation is a mandatory requirement based on Federal Acquisition Regulations. To improve agency processes in this area, J7 is implementing additional actions to lead and support the pricing reviews conducted. We are implementing pricing training where needed, ensuring focus on proper negotiating, extending HQ communication and outreach to the sites, leveraging lessons learned from pricing best practices, and ensuring our contracting officers have the tools they need (such as policies, system support, and management support).

Date	
2nd Qtr. FY 2014	File Content: Pricing Documents – The pricing documents do not contain a reference to historical pricing at the desired compliance rate of 100% and is not being attained by an of the DLA Aviation sites. Federal Acquisition Regulations and the DLAD require historical pricing comparisons for all awards below the simplified acquisition threshold. This was put in place due to the repetitive nature of awards at this threshold. J7 analyzing continued need for this specific requirement due to the already existing requirements for pricing documentation.

Internal Control Reporting Category: *Procurement*

Targeted Correction Date: 4th Qtr. FY 2014

Description of Material Weakness: MATERIAL RECEIPT AND ACCEPTANCE

(MRA): Customers are not verifying receipt of material for customer direct purchase orders and delivery orders. Therefore, the Agency is not able to process supplier invoices per financial regulations.

Detailed Corrective Action Plan:

Date	Milestone
Completed	J7 has implemented Transporter Proof of Delivery to provide receipt documentation to enable supplier payment.
4th Qtr. FY 2014	DLA pursuing a long-term Enterprise solution for customers not acknowledging receipt of material.

IC Reporting Category: Supply Operations

First Year Reported: FY 2012

Target Correction Date: Current: 4th Qtr. FY 2013

Description of Material Weakness: LESO policy procedures not being followed correctly. In October of 2009 the physical transfer and function of the 1033 Program/Law Enforcement Support Office (LESO) was moved from Fort Belvoir, VA DLA HQ to Battle Creek, MI DLA Disposition Services. From the beginning of FY 10 to present, LESO has identified the vulnerability of not being able to account for controlled property due to resource constraints. This vulnerability was also identified in the 2009 DLA Audit. According to the memorandum for the Director of DLA Disposition Services, Managers' Internal Control (MIC) for LESO, dated April 11, 2012, the weakness for LESO is stated as Property Accountability. "Currently DLA

LESO has no dedicated personnel to conduct property reconciliations and cannot perform the task without additional staffing. This vulnerability has been repeatedly identified during inspections, reviews, and audits.

Corrective Action Summary: Emphasis has been placed on additional staffing to facilitate annual inventory and compliance reviews. A robust property accounting system Federal Excess Property Management Information System (FEPMIS) – is being created to meet LESO post-issue tracking requirements. A Memorandum of Agreement (MOA) has been developed between State and Federal Agencies to require State Coordinators to sign and certify an annual controlled property inventory. DLAI 1111 has been updated and is in coordination for publication.

Detailed Corrective Action Plan:

Date:	Milestone:
Completed	Hired 6 FTEs for accountability/compliance; last hire Oct 2012
Completed	DLAI 1111 submitted to DLA J3 in Oct 2012
Completed	SOPs published
Completed	First full inventory of all controlled property (including photo requirement for high visibility property) is being conducted in FY13; results due Jan 31, 2013; as of Jan 31, 2013, 18 states and one territory non-compliant and suspended from 1033 Program activity; 60 days to comply.
Completed	Requiring State Coordinators to sign and certify an annual controlled property inventory NLY Jan 31, 2013; as of Jan 31, 2013, 18 states and one territory non-compliant; as of April 12, 2013 all participants are compliant.
Completed	MOA submitted for scheduled release Apr 2013
Completed	Developing a new property accounting system (FEPMIS), release date scheduled Jul 2013
4th Qtr. FY 2013	MOA pending - DLA meeting with Army and OSD to gain approval to modify the program.

Detail of Corrected Material Weakness

Internal Control Reporting Category: Supply Operations

Status: Closed

Description of Material Weakness: March 2008 missed shipment to government of Taiwan.

Corrective Action Summary: Established centralized accessible information source for NWRM items which coincides with the establishment of a unique identifier for NWRM completed 4th Qtr. FY 2011. DLA OIG follow-up audit conducted identified weaknesses corrected. **DLA Distribution requested closure. Approved 2nd Qtr. 2013 by DLA Vice Director.**

Internal Control Reporting Category: Supply Operations

Status: Closed

Description of Material Weakness: Navy Retail/Supply, Storage & Distribution – stabilization goals at Norfolk Naval Shipyard (NNSY), as agreed by Commander, Naval Sea Systems Command (NAVSEA) and the Director, DLA were not achieved by July 15, 2012 deadline. Concern with current process and IT system ability for near-term stabilization of retail supply operations.

Corrective Action Summary: Navy and DLA went back to the pre-Day 2 IT and tabled the action. Navy and DLA partnered to schedule the first Inventory Management and Stock Positioning (IMSP) deployment at an FRC using lessons learned from the NNSY deployment and the investigation. There are no systemic IT or performance issues upon NNSY's return to MAT as its system of record. **DLA Logistics Operations (J3) requested closure. Approved 2nd Qtr. 2013 by DLA Vice Director.**

Internal Control Reporting Category: Information Technology

Status: Closed

Description of Material Weakness: Some DLA applications are non-compliant with Enterprise Mission Assurance Support System (eMass) DODI 8500.2 continuity control COAS-1: Alternate Site Designation.

Corrective Action Summary: DLA officially designated DECC –Mechanicsburg as Alternate IT disaster recovery site. **DLA Information Operations (J6) requested closure 2nd Qtr. 2013. Approved 2nd Qtr. 2013 by DLA Vice Director**.

Internal Control Reporting Category: Property Management

Targeted Correction Date: 4th Qtr. FY 2013

Description of Material Weakness: Prior findings by DLA Accountability Office found existing Sustainment, Restoration & Modernization (SRM) program policy processes were not providing oversight required to ensure complete conformance with guidance, policy, and applicable statutes.

Corrective Action Summary: The SRM Manual (Handbook) was published in 3Q13 and has been released to PLFAs. Internal controls within the system of record EBS continue to mature. Several Systems Change Requests will result in further improvements, are pending; however, audit readiness priorities have delayed development. Training continues on SRM policy and procedures. DLA OIG validation of resolution of the deficiencies identified in Report Number IR04-01 will be scheduled in FY14. **DLA Installation Support requested closure 4th Qtr. FY 2013. Approved by Director. Closed.**

IC Reporting Category: Property Management

First Year Reported: FY 2005 & FY 2006

Target Correction Date: Current: 3rd Qtr. FY 2013

Description of Material Weakness: The General Accountability Office's (GAO) Report GAO-05-277 cited substantial waste and inefficiency with the DLA Disposition Services Excess Property Reutilization Program. Causal factors included a lack of effective management processes, systems and internal controls to assure that excess inventory was reutilized to the maximum extent possible. Additionally, GAO determined DLA Disposition Services inadequately safeguarded excess items from damage, loss, and theft as required by Federal regulations. The GAO report focused on the procurement by military services of new/unused property that was concurrently available for reutilization on the DLA Disposition Services inventory.

Corrective Action Summary: The DLA Disposition Services Monthly Performance Review will be used to validate the effectiveness of corrective actions. The RBI Manager and DLA Disposition Services leadership will certify that all operational requirements associated with the Information Technology Systems Contract have been achieved. Additionally, intense management oversight and substantive, verifiable performance measures will be used to validate process improvements and execution. **DLA Disposition requested closure 4th Qtr. FY 2013. Approved by Director. Closed.**

TAB E

DOD ASSESSMENT OF INTERNAL CONTROL OVER ACQUISITION FUNCTIONS

DOD Assessment of Internal Control over Acquisition Functions Template

Organizational Alignment and Leadership. Contract Quality Management Plans (CQMPs) were developed by the senior acquisition professional at each supply chain, and are used to provide oversight of contracting quality and processes. All DLA field activities have appointed a Chief of the Contracting Office, who is responsible for managing contract oversight, policy, systems, and acquisition workforce development for their activity. If oversight is not properly implemented, risks include improper awards, inadequate contractor performance, improperly managed vendor payments, contract-writing systems that do not work properly, and an inadequately trained contracting workforce. Compliance with CQMP requirements and performance of the oversight staff was evaluated during each PMR. In addition, field activities completed their own internal PMRs and oversight reviews, and monitored completion of corrective actions. A PMR in-brief was provided to the contracting activity senior and operational leaders, routine updates were provided on issues identified during reviews, and an out-brief on PMR results and findings was provided by the Director, DLA Acquisition and the DLA Vice Director. The Activity leaders were required to provide a Management Plan of Corrective Action and to ensure that corrective actions were effective. The PMR team also evaluated the chain of command for approving awards and completing performance appraisals for 1102 personnel, and evaluated the appropriateness of staffing relative to workload.

Policies and Processes. All DLA field activities have policy analysts and systems BPAs on staff to disseminate and update policies, and to monitor system operations. Such personnel participate in Acquisition Review Board meetings on proposed awards. Risks include: violating DLA, DOD, and/or federal policies when awarding and administering contracts; and failure of contracting writing systems to operate properly. Contract files were reviewed during PMRs for compliance with regulation and policy and for documentation of proper review and approval of contract actions. A Small Business representative monitored compliance with Small Business requirements and recommendations, and reviewed achievement of Small Business goals in accordance with the activity's Small Business Plan. An attorney reviewed files for legal compliance and potential fraud indicators. Analysts reviewed local guidance/contracting instructions for consistency with DLA policy. PMR team members reviewed reporting systems, such as FPDS-NG, PPIRS, CPARS, EDA, fbo.gov, contract announcements, CCR, and EPLS to ensure that required procedures were followed and required reports were completed timely. Activities were instructed by the PMR team to start completing missing reports/information while the team was on-site. PMR team members also reviewed files for compliance with oversight recommendations from J7 and reviewed acquisition plans for effective market research and plan to remove barriers to competition. Team members reviewed post award documentation to ensure that contractors and contracting personnel performed in accordance with contract terms and conditions. Activity leaders were required to provide a Management Plan of Corrective

Action and to ensure that corrective actions were effective. In addition, J7 took corrective actions on policy and systems issued that were identified during PMRs. J7 issued revised DLAD guidance to address/clarify issues identified during PMRs (such as Market Research, Modification authorities, revised COR requirements, and post award pricing reviews for simplified acquisitions). In addition, the requirement for the DLA PMR Program was incorporated into the DLAD.

Human Capital. All acquisition personnel are required to meet DAWIA certification requirements. Each field activity has a training coordinator who tracks certification levels and certification due dates for acquisition personnel. They also track Continuous Learning Point achievements and due dates. Defense Acquisition Workforce Development funding is requested and obligated each fiscal year to pay for training, to develop and retain talent, and to ensure a leadership succession plan. Risks include personnel being non-compliant with DAWIA requirements and the Agency lacking an acquisition workforce with the required skills to complete the mission. Compliance with DAWIA career field and continuous education requirements was evaluated during each PMR. Activities with non-compliant employees were required to submit a corrective action plan, detailing what training was required, dates the employee had registered to complete the training, how management would ensure that workload assigned was appropriate for the current level of certification, and how contracting officer warrants would be managed until the required certification level was achieved. The PMR team evaluated whether each activity had established a CLP tracking system, and what plans were implemented to address skill gaps identified in contracting competency assessments. The team also reviewed the contracting officer performance assessment program to ensure that evaluations were comprehensive and that corrective action was implemented for employees whose performance was less than acceptable. The Activity leaders were required to provide a Management Plan of Corrective Action and to ensure that corrective actions were effective. In addition, CQMPs are used to provide oversight of training and successful employee performance.

Information Management and Stewardship. Each DLA activity has developed acquisition planning and management tools to monitor their awards. Contract administration is tracked via the DOD CORT Tool. The DLA systems process owner routinely coordinates with field BPAs to resolve system problems. Risks include mismanagement of the award process and contract administration, lack of competition, and disruption in providing supplies and services to the warfighter. The PMR team evaluated the acquisition planning and management tools for each activity to determine if they were effective. The team also completed a review of bridge contracts and contract extensions for each activity to determine if acquisition planning was adequate and was effectively monitored. The team looked for systems issues (in PACE, EProcurement, SAP, etc.) and reported issues to J7 for resolution. PMRs included review of CORT Tool documentation and COR training, appointments, and performance of required duties to ensure DLA gets what they pay for. Also, Activity leaders were required to provide a Management Plan of Corrective Action and to ensure that corrective actions were effective.