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DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO

DSS-B

OCT -1 2003

MEMORANDUM FOR SECRETARY OF DEFENSE

SUBJECT: Annual Statement Required Under the Federal Managers' Financial Integrity Act (FMFIA) of 1982

As Vice Director of the Defense Logistics Agency (DLA), I recognize the importance of management controls in the Agency. I have taken the necessary steps to ensure a conscientious and thorough evaluation of management controls for DLA. The results indicate that DLA's system of internal accounting and administrative control in effect during the Fiscal Year that ended September 30, 2003, taken as a whole, provides reasonable assurance with the exception of the material weaknesses noted that the management controls are in place and effectively operating. Furthermore, the objectives of the FMFIA were achieved within the limits described in Tab A. Tab A also provides information on how DLA conducted the evaluation and cites any deficiencies in the process.

The evaluations did identify material weaknesses. At Tab B-1 is a list of corrected material weaknesses and weaknesses that still require corrective action. At Tab B-2 is an individual narrative for each uncorrected material weakness listed at Tab B-1. At Tab B-3 is an individual narrative for each material weakness corrected during the period. At Tab B-4 is a summary of the significant accomplishments and actions taken to improve management controls during the past year.

A handwritten signature in cursive script that reads "Mary L. Saunders".

MARY L. SAUNDERS
Major General, USAF
Vice Director

Attachments

cc: DUSD (L&MR)

TABLE OF CONTENTS

	Page
Description of the Concept of Reasonable Assurance and Information on How the Evaluation was Conducted (TAB A)	A-1
Uncorrected and Corrected Weaknesses Listing (TAB B-1)	B-1
Narratives for the Uncorrected Material Weaknesses-During the Period (TAB B-2)	B-2
Narratives for all Material Weaknesses Corrected this Period (TAB B-3)	B-3
Improvements to Management Controls (TAB B-4)	B-4

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

TAB A

The Defense Logistics Agency (DLA) senior management evaluated the system of internal accounting and administrative control, in effect during the Fiscal Year (FY) ending September 30, 2003, in accordance with the guidance in Office of Management and Budget (OMB) Circular No. A-123 (Revised), Management Accountability and Control, dated June 21, 1995, as implemented by Department of Defense (DoD) Directive 5010.38, Management Control Program (MCP), dated August 26, 1996; and DoD Instruction 5010.40, MCP Procedures, dated August 28, 1996. The OMB guidelines were issued in consultation with the Comptroller General of the United States as required by the “Federal Managers’ Financial Integrity Act (FMFIA) of 1982.” Included is an evaluation of whether the system of internal accounting and administrative control for DLA is in compliance with the standards prescribed by the Comptroller General.

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

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

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

DLA performed the evaluation in accordance with the guidelines identified above. The results indicate that the system of internal accounting and administrative control of DLA in effect during the FY that ended September 30, 2003, 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.

The description of how DLA conducted the evaluation:

1. Progress made institutionalizing the MCP:

The DLA program is fully developed, and the DLA Headquarters (HQ) Business Offices and DLA Field Activities have continued to make progress in the expanded reporting of weaknesses and controls and continued recognition of current process improvements to ensure existing internal controls remain in place or enhanced. Management Control (MC) performance standards are part of supervisory/managerial performance plans. HQ DLA Internal Support Review program requires updated status on weaknesses and concerns addressed by the MCP. The program is managed at DLA HQ with local program managers assigned to each Headquarters and field element.

The local managers are responsible for providing program guidance and direction to control objective managers regarding performance of objective assessments and reporting of weaknesses and concerns arising from the assessments, ensuring that their units follow the prescribed events and timetables as set forth in the DLA and OMB guidance.

DLA Criminal Investigation Activity (DCIA) worked closely with other DLA Activities to ensure all objectives were evaluated and weaknesses identified before negative actions occurred.

At Defense Reutilization and Marketing Service (DRMS), the MCP within DRMS has been fully implemented. Operational oversight is provided through periodic Compliance Assistance Visits while self-evaluation is performed at the Defense Reutilization and Marketing Office (DRMO) level. DRMO Chiefs do three self-certifications per year of each DRMO's compliance with operational and environmental regulations and requirements. This low-threat oversight program encourages self-reporting and identifies problems to higher levels when assistance is needed without fear of repercussion. The Zone Managers perform internal oversight and implement procedures to reinforce DRMS management controls, ensuring that any identified concerns or weaknesses are addressed and resolved appropriately.

2. Improvements to program coverage:

The MC training course, that was developed in-house, was presented to the MC local managers at the DLA MC annual workshop. This training reinforced the training received from U.S. Department of Agriculture Graduate School in 2001. The training will be presented to managers throughout DLA during FY 04.

The DLA intranet website for MC is continuously updated.

DLA management emphasizes the important role that managers play in safeguarding the integrity of the Agency by continually monitoring and establishing procedures to prevent, or at a minimum mitigate fraud, waste, abuse, or mismanagement in their respective areas of responsibility. With the many changes in our work environment, our vulnerability to fraud, waste, abuse, and/or mismanagement has increased. However, increased awareness by our managers has provided a ready response to these challenges.

3. Problems encountered in implementing the program:

DLA has already implemented the program, and managers at all levels fully support it; however, resource constraints are a challenge for some offices. In spite of this, all assessments were performed.

4. Other program considerations:

The OMB Circular A-76 Program continues to present a challenge as it pertains to MCP. The Defense Distribution Center (DDC) Depots that have completed the A-76 process and competition are operated in either a Government-Owned Contractor-Operated (GOCO) manner or by a government Most Efficient Organization (MEO). In both cases, the depot commander manages the contract that either the contractor or MEO has been awarded to operate the distribution depot. The Continuing Government Activity (CGA) staff assists the depot commander in managing the contract. One distinction between the scope of oversight between the GOCO Depots and the MEO Depots is in the area of cost data. The GOCO performance data is restricted to primarily workload information, whereas MEO Depots generate activity based cost data. To address this, DDC has enhanced cost visibility of GOCO Depots by initiating unique cost account codes for costs associated with workload processing and reimbursable workload.

5. Any deviations from the process as outlined in the OMB Guidelines: N/A

6. Any special concerns addressed in reports by the Inspector General (IG), DoD, or Component audit, investigation, inspection, and/or internal review organizations regarding MC progress, program needs, and or other problems:

DSCR OPEN PREVIOUSLY REPORTED:

First Time Buys (FTB): During FY 03, Defense Supply Center Richmond (DSCR) conducted three quarterly Program Management Reviews (PMR) of FTBs at the center. Ninety-nine FTBs were sampled and 68.7 percent of the reviews were determined to be fair and reasonable or otherwise properly documented. This compares with 55 percent in FY 01 and 56.9 percent in FY 02. When micro-purchases were excluded, the percentage of fair and reasonable or properly documented FTBs in FY 03 was 98 percent. Although technically non-compliant, contracting officers are deciding not to perform FTB justifications on micro-purchases due to mission requirements. In these instances, the micro-purchase prices are not used to justify prices on

future procurements. Corrective action taken: Continued quarterly sampling and continued issuance of Procurement Information Memorandum and other detailed guidance which addresses FTB procedures.

DDC OPEN PREVIOUSLY REPORTED:

Defense Travel System (DTS) Deployment: Deployment of DTS for DDC was scheduled for September 5, 2003. Eleven years ago when Defense Management Reform Decision 902 was implemented, DDC centralized financial operations. Even though DTS allows obligation authority to be placed at depot level, DDC does not plan to set up 22 “financial operations.” Although briefings have told us that financial information passes to Defense Business Management System (DBMS) by travel document number through an interface process, DDC continues to be concerned about visibility and knowledge of financial entries made for its depots. DTS is intended to be a time and cost saver; however, workarounds to provide visibility would increase resource requirements instead of decreasing them.

Tentative implementation date for DDC HQ is March 19, 2004. Most depot implementations will be later. Completion date is unknown. In addition to the above requirements, DDC Financial Operations (DDC J-8) must ensure that DTS will interface timely and correctly with DBMS and that adequate controls exist to monitor for compliance and/or abuse. Daily monitoring will verify correct and timely interfaces. Even though DTS performs over 200 edit checks against current travel regulations, training of approving officials will be required to ensure compliance. DTS is very versatile and can be adapted to DDC’s way of doing business.

The DLA DTS Program Manager has satisfactorily addressed the concerns identified in the FY 02 Annual Statement of Assurance (ASA). DTS will be implemented using the DDC centralized financial support model.

DRMS OPEN PREVIOUSLY REPORTED:

Transportation costs concern: An audit conducted by the DRMS Internal Review Office to ensure adequate controls exist over incurring and allocating transportation funds found that the potential exists for Transportation Management Offices to, inadvertently or otherwise, misuse the DRMS fund cite or to overcharge for transportation of Reutilization, Humanitarian Assistance Program, Demilitarization (DEMIL), Foreign Military Sales, Commercial Venture, and Recycling Control Program property.

FY 03 Transportation Costs Activities: Since midyear review, there has been no training on Net Landing Cost (NLC) from DDC. However, passwords have been received from PowerTrack, Air Mobility Command (AMC), and Military Traffic Management Command. This allows the Transportation Officer (TO) to download data on shipments charged to our Lines of Accounting (LOA). Information is then passed on to DRMS-International command (DRMS-I) and DRMS-National command (DRMS-N) and is under the common drive for anyone in DRMS to use. TO is working with Finance and Budget to get the correct LOA out to the field and give advice as far as traffic management and the shipment of DRMS property. DRMS TO is also working with shipments in support of Operation IRAQI FREEDOM and Operation ENDURING FREEDOM,

as well as the retrograde Polychlorinated Biphenyls (PCB) shipment from Japan. In the DRMS FY 02 ASA, it was stated that DRMS was hiring a full-time TO to focus on the issues relating to transportation costs. The TO reported to duty in the First Quarter of FY 03. The transportation cost issue still remains a concern and will be an ongoing effort.

DRMS OPEN PREVIOUSLY REPORTED:

Deobligations backlog of accounts payables concern: DRMS participated in the DLA-wide effort to review, reconcile, and liquidate all open accounts payable older than 90 days old. DRMS has over 16,000 documents that fall within this category, which must be thoroughly reviewed and letters sent out requesting deobligation authority.

FY 03 Accounts Payables Activities: In FY 02, DRMS performed a review of all open accounts payable over 2 years old. That review is continuing in FY 03 for all documents less than 2 years old (about 17,000 LOA). Outstanding personnel vacancies/lack of resources have pushed the estimated completion date for this 100 percent review to the end of FY 03 rather than mid-FY 03.

Procedures have been developed to ensure routine reviews are done of all open payables. To alleviate staffing issues, DRMS Financial Services hired an additional analyst as well as two summer hires (one full-time and one part-time) to monitor all applicable reports to ensure the problem does not occur in the future. To date, accounts payable reviews still remain as a DRMS special concern.

DEFENSE SUPPLY CENTER COLUMBUS (DSCC) OPEN PREVIOUSLY REPORTED:

Defense Contract Awards Reporting System (DCARS) Data Accuracy: DCARS may still not accurately reflect DSCC's overall small business performance when compared to the actual dollars that are obligated and tracked in Standard Automated Materiel Management System (SAMMS) and is taking actions to address this concern.

Corrective Actions/Recommendations: Changes and additions to the DCARS reporting system were implemented with the April 2003 change release to assist in improving accurate and complete data recording. These changes allow management to trial run a report and effect changes to correct errors prior to final report generation. This will assist in ensuring a more complete and accurate capturing of the DSCC Social/Economic data. Release 4.2 includes a "Pre-Closeout Cumulative Summary Report." Management uses this report to identify additional areas of concern. As root causes of any incorrect reporting are identified, corrective actions, and changes to improve DCARS reporting process are being implemented and tracked to ensure accurate and timely reporting. DSCC Small Business Office will continue to monitor this concern and report status and progress of resolution as part of the MCP reporting system.

LOGISTICS OPERATIONS (J-3) PREVIOUSLY REPORTED CLOSED:

Hazardous Disposal Program: The Hazardous Property Disposal program is in effect to ensure that the Military Services receive responsive disposal of hazardous material and hazardous waste. In 2000, events occurred resulted in concerns over proper identification and disposal of

foreign made PCBs. As a result, J-3 determined that DRMS methods to process hazardous property needed a special review and established Process Action Team (PAT) in August 2000. Most actions identified by the PAT were completed and validated by December 2001. On January 11, 2002, DLA requested regulation clarification from the Environmental Protection Agency (EPA) for two open actions regarding low levels of foreign made PCBs. DLA Support Services Environment and Safety Office (DSS-E) learned that EPA will not be providing DLA with a formal reply on either of the two actions. That fact, coupled with a recently approved EPA rule to enable DLA to remove foreign PCBs from Japan, lead J-37 to close the action. J-37 will continue to dialogue with EPA for a written response.

7. Methods, mechanisms, or techniques employed in the discovery of execution phases of the program:

a. MC weakness tracking system:

Each field activity and business office tracks their own weaknesses and corrective action schedules and reports on such bi-annually. HQ DLA is developing a database that will contain data on all reported weakness, corrective actions, and concerns.

b. Component IG or Audit Service Findings:

DEFENSE NATIONAL STOCKPILE CENTER (DNSC): The DoD IG conducted an audit of a Defense Hotline Allegation Concerning Contracting for the Sale of Commodities by DNSC (Project No. D2003LH-0083). The draft report was issued on August 11, 2003. DNSC is currently preparing the response to the draft report. DNSC will provide the detailed corrective actions when the response is completed. A summary of the findings and recommendations follows:

1. Management of FY 00 and FY 01 RMT Metals Limited Contracts for the Sale and Removal of Tin: DNSC management of the FY 00 and FY 01 RMT Metals Limited RMT contracts for the sale and removal of tin was inadequate. Payment for previous releases was not verified before additional material was released. As a result, the Government potentially lost about \$13.5 million on the sale of tin to RMT.
2. Compliance With DoD MCP: Documentation was not available to show that the Directorate of Resources Management and the Directorate of Stockpile Contracts performed the required management reviews under the Management Control Program. The aged accounts receivable balance in the FY 01 statement was reported in error. The aged accounts receivable reported in the statement was \$21,601,063. The balance was actually \$27,169,533. This was an error and has been corrected.

As stated above, these findings are included in a draft report. DNSC is currently developing the official response.

DNSC had identified the RMT issue prior to the IG audit and had taken several steps to preclude the reoccurrence of the situation. These initiatives include a new program for the sale of materials and a new accounting system.

1. New program for sale of materials. DNSC is using a Basic Ordering Agreement (BOA) for the sale of some commodities. Under this program, contractors pre-qualify to participate in the program. DNSC establishes a financial exposure limit for each contractor. Once the contractor reaches the limit they are not able to participate in future sales until they are performing existing contracts or the exposure limit is reevaluated.
2. New accounting system. DNSC has implemented the Defense Working Capital System (DWCS) that requires contracting officers to review contractor performance before awarding a new contract or approving additional releases of items on existing contracts.

DEFENSE ENERGY SUPPORT CENTER (DESC):

Project No.	Audit Title	Report Date
01-14	Review of Purchase Card Usage	September 17, 2002
03-02	Hotline 02107	November 19, 2002
02-03	Product Quality Deficiency Report	May 7, 2003
Deloitte&Touche	Management Report: Assessment of Fuels Inventory	May 14, 2003
03-07	DESC Purchase Card Transactions	June 13, 2003
03-01	Contract Closeout and Destruction of Old Files	July 9, 2003
03-03	Travel Orders and Vouchers at DESC Europe	July 9, 2003
03-11	Hotline 03075 (Memorandum Report)	July 21, 2003

c. Reports of Component Internal Reviews and Inspections:

DDC:

Audit Code & Agency: DDC 02-10, Dated: October 11, 2002.

Audit Title: Follow-up Audit of Controlled Item Inventories at Defense Distribution Depot San Joaquin, CA, (DDJC).

Audit Summary: Audit objective was to determine the extent of corrective actions taken on audit recommendations in the Audit of Controlled Item Inventories at DDJC. The audit recommended that DDJC Inventory Integrity Office should perform monthly reviews of items with a blank Controlled Inventory Item Code (CIIC). DDJC-D concurred with the audit recommendation and indicated that reviews would be performed on a monthly basis, as long as Distribution Standard System allowed material to continue to pass with a blank CIIC field, and this would be a necessity.

Audit Code & Agency: DDC 02-12, Dated: December 12, 2002.

Audit Title: Audit of Government Telephone Credit Cards.

Audit Summary: Audit objective was to assess DDC's effectiveness and compliance with telephone credit card program policies and management controls. Federal Telecommunications System (FTS) 2001 Telephone Calling Cards were appropriately issued and used by DDC employees for the purpose of conducting official government business in travel status. Internal controls over the FTS 2001 card distribution, management, and usage were generally adequate and compliant with regulations.

Audit Code & Agency: DDC 02-05, Dated: February 10, 2003

Audit Title: Audit of Cash Controls in Defense Distribution Depot Susquehanna, PA (DDSP) Billeting Office.

Audit Summary: Audit objective was to evaluate the management controls over cash in the Billeting Office, assess the risk of poor controls, and suggest improvements to management. Key management controls over billeting cash and negotiable instruments were in place and operating effectively. Daily accounting activities were performed in an accurate, timely manner and adequate controls were in effect over funds. As a result of good internal controls, the risk of unrecognized theft or embezzlement of billeting funds was low.

Audit Code & Agency: DDC 01-10, Dated: February 10, 2003.

Audit Title: Audit of Maintenance of General Services Administration (GSA) Vehicles at DDSP.

Audit Summary: Audit objective was to determine if the level of maintenance of GSA fleet vehicles is adequate to ensure operator safety. The audit was limited to the GSA vehicles used to transport people and did not include police vehicles. No accidents were found involving GSA vehicles in the Temporary Duty (TDY) pool that were caused by mechanical failure or improper maintenance. Also, DDSP-D stated the Depot Equipment Division (DDSP-W) would provide drivers with an operator inspection checklist when they arrive to pick up the vehicle.

Audit Code & Agency: DDC 03-05, Dated: February 24, 2003

Audit Title: Audit of Army Emergency Relief (AER) at DDSP.

Audit Summary: The audit involved the review of 16 applications involving 15 Service Members approved in Calendar Year 2002 for AER Assistance totaling \$18,671.75. All of these requests were for unforeseen emergencies and approved by either the Army Emergency Relief Officer or other approval authority defined in the AER User's Manual. Personnel responsible for the AER program managed the program in accordance with applicable guidance. No corrective actions are required.

Audit Code & Agency: DDC 02-11, Dated: April 22, 2003.

Audit Title: Audit of Government Travel Cards at DDC.

Audit Summary: The objective of the audit was to assess DDC's effectiveness and compliance with travel card program policies and management controls. The audit addressed the individually billed travel card. DDC J-8 has made significant progress to bring DDC's travel card program up to DLA's expectations. In February 2003, DDC's delinquency rate was 1.85 percent, and represented the first time DDC had come in under the DLA Director's goal of 2.00 percent. To continue the progress made to bring DDC travel card program up to DLA's expectations, DDC J-8 obtains and maintains Statement of Understanding (SOU) from each

cardholder. Expected completion of compiling all SOUs is September 30, 2003.

Audit Code & Agency: DDC 02-13, Dated: April 3, 2003.

Audit Title: Audit of Government Gasoline Credit Cards at DDC.

Audit Summary: Audit objective was to assess DDC's effectiveness and compliance with DoD Fleet credit card program policies and management controls. The controls over the use and security of the DoD Fleet Card within DDC are appropriate. Fleet managers review monthly statements from Voyager to ensure charges are legitimate and where appropriate, certify invoices for payment promptly.

Audit Code & Agency: DDC 03-01, Dated: May 15, 2003.

Audit Title: Assessment of the Effectiveness of the Continuing Government Activity (CGA) at the Defense Distribution Depot, Jacksonville, FL, (DDJF).

Audit Summary: The objective was to assess the effectiveness of the CGA at DDJF. DDJF plans to improve position descriptions of personnel in the Interim Government Organization, and DDJF also plans to align PPP with organizational goals. The CGA indicated that it based its PPP on the new Performance Management System DLA template and that the PPP apply to existing multifunctional CGA positions.

Audit Code & Agency: DDC 03-03, Dated: June 24, 2003.

Audit Title: Review of DDC Information Technology (IT) Continuity of Operations (COOP).

Audit Summary: Audit objective was to determine whether DDC's IT COOP plan was complete and workable to allow continuity of mission operations and Disaster Recovery (DR) capability. DDC Information Services (DDC J-6) has made significant progress in essential IT computer operations, system and data security, backup, emergency, restoration, and maintenance controls. Progress, to date, includes the establishment of draft IT DR policies and plans, IT COOP planning guides, and DR off site exercises.

Audit Code & Agency: DDC 03-08, Dated: July 29, 2003.

Audit Title: Assessment of the Effectiveness of the Continuing Government Activity (CGA) at Defense Distribution Depot Cherry Point, NC, (DDCN).

Audit Summary: Audit objective was to assess the effectiveness of the CGA at DDCN. Audit focused on the CGA use of Quality Assurance Surveillance Plan (QASP) as part of the overall contract surveillance function. DDC Security made several recommendations, and the CGA has made corrections as recommended. A member of the CGA at DDCN now performs random night checks of buildings and a monthly sampling of classified items and is currently in the process of adding this requirement in the QASP.

Defense Logistics Information Service (DLIS):

DLIS conducted the following Internal Reviews relating to the FY 03 MC Plan Objectives, COOP, and the Travel Card Program, in accordance with published guidance and documentation requirements.

COOP Audit Report No. 03-09:

DLIS Internal Review Office (DLIS-DI) performed an internal audit on the COOP plan and noted several areas that needed attention. Lack of effective administration has led to inconsistencies in procedures for backing up data at DLIS. It was concluded that more emphasis should be placed upon recovery and restoration of critical mission functions. There seems to be confusion as to who is actually responsible for overall IT COOP planning and implementation. This problem needs to be addressed by DLIS Directorate of Planning and Resource Management (DLIS-R) and DLIS Directorate of Technology Management (DLIS-T). It should be noted that there has been increased activity in COOP and IT COOP planning in recent weeks. The addition of a systems architect to the Disaster Recovery Team is a positive step in the consolidation of contractor efforts. Contractors and government employees have been meeting to discuss policies and procedures. DLIS-R is planning an overall exercise to test the functionality of the COOP and IT COOP process in the near future. DLIS-DI will monitor the exercise during the technical phase of the IT COOP audit, as well as accomplishing further research into the problems concerning facilities, equipment, back up of data, and capacity issues at the Business Recovery Center and Data Recovery Center.

Travel Card Program Audit Report No. 03-06:

Internal review of the DLIS Travel Card Program concluded that DLIS is adhering to applicable policies and procedures and management controls over the travel card and are effectively administered. Likewise, controls over the process for authorizing the issuance of travel cards, traveler reimbursement, payment processes, and reports provided by the card contractor are adequate. Inadequacies in controls over delinquency management that were detected in DLIS-DI's previous audits have been corrected.

DNSC:

The DNSC Safety and Health Staff (DNSC-EH) completed Safety and Health Program Reviews at manned Stockpile Depots. Noted deficiencies are entered into the DLA Safety Health Information Report System. Written reports containing recommendations for corrective action were provided to the managers at each facility with copies to the Director of Operations (DNSC-O). The depot managers respond to the outstanding deficiencies to DNSC-EH every 30 days. Six program reviews have been completed.

Specially trained Respiratory Protection Designees completed annual Respiratory Protection Program Reviews at seven staffed Stockpile locations. Results are sent to DNSC Health and Safety (DNSC-EH) for examination and subsequent actions, if necessary. Two reviews are due by the end of the FY, but they have not been scheduled as of July 31, 2003.

DNSC Radiological Safety Officers makes an annual inspection at depots containing material licensed by the Nuclear Regulatory Commission. The survey is conducted to review the status of programs and records, inventory instruments and check calibrating records, monitor all licensed material, and advise depot personnel in the administrative and operational measures required for compliance with DNSC and Federal regulations. A comprehensive report is prepared and

forwarded to the DNSC-E Occupational Radiation Protection Program Manager. By the end of July, four inspections had been completed. One additional review for the Curtis Bay facility has not been scheduled.

DSCC:

Report Title and No.: Exact Product Clause, No. 45-01.

a. Report Date: October 7, 2002.

b. Report Objective: To determine if vendors are supplying the “exact product” that they quoted and if the product we are receiving is manufactured by the approved Commercial and Government Entity (CAGE) code(s) and has the approved CAGE code(s) part number.

Report Title and No.: DSCC Post Restaurant Fund Change of Fund Manager, No. 45-02.

a. Report Date: October 8, 2002.

b. Report Objective: Determine the accuracy of the various account balances on the Post Restaurant Fund Income Statement and Balance Sheet prepared and provided by the Defense Finance and Accounting Office in Texarkana, TX. The audit manager also added additional tests for internal controls and allowability of costs.

Report Title and No.: Review of DSCC Lodging Fund Change of Fund Manager, No. 47-02.

a. Report Date: October 8, 2002.

b. Report Objective: The main objective was to determine the accuracy of the various account balances on the Lodging Fund Income Statement and Balance Sheet prepared/provided by DFAS in Texarkana, TX. This review also included observation of their fixed asset inventory. The audit manager also added additional tests for internal controls and allowability of costs.

Report Title and No.: Review of Civilian Welfare Fund Change of Fund Manager, No. 46-02.

a. Report Date: October 29, 2002.

b. Report Objective: To determine the accuracy of the various account balances on the Income Statement and Balance Sheet prepared/provided by the Defense Finance Accounting Office in Texarkana, TX. The audit manager also added additional tests for internal controls and allowability of costs.

Report Title and No.: Convenience Checks Third Quarter FY 02, No. 63-02.

a. Report Date: November 7, 2002.

b. Report Objective: Determine compliance with policy, ensure payments were proper, and determine timeliness of the reconciliation process.

Report Title and No.: Non-Appropriated Fund (NAF) Convenience Checks for Third Quarter FY 02, No. 14-03.

a. Report Date: November 7, 2002.

b. Report Objective: Determine if purchases were authorized, if purchases were proper, if purchases were within authorized limits, if statements were reconciled, and if supporting documentation was maintained.

Report Title and No.: DLA Hotline Complaint 02090, No. 64-02.

- a. Report Date: November 25, 2002.
- b. Report Objective: Investigate if there was any basis for the alleged unfair training opportunities and pre-selection for a GS-12 position in the Comptroller Office.

Report Title and No.: Review of Defense Automatic Addressing System Center (DAASC) Purchase Cardholders, No. 61-02.

- a. Report Date: December 3, 2002.
- b. Report Objective: Determine compliance to the DoD Financial Management Regulation (FMR), DLAD, DLAI 41.05.3 and the DSCC, Government-wide Commercial Purchase Card Program, Purchase Guide, June 2000 edition policies and procedures. The emphasis focused on authorization, single purchase limits, documentation, and reconciliation. The review period included all purchases from May 1, 2001, through July 31, 2002.

Report Title and No.: Change of Fund Manager Installation Morale and Welfare Recreation Fund (IMWRF) Inventory Observations, No. 44-02.

- a. Report Date: December 5, 2002.
- b. Report Objective: Determine the accuracy of the various account balances on the IMWRF Income Statement and Balance Sheet. These statements were prepared by the Defense Finance and Accounting Office in Texarkana, TX on April 30, 2002. The audit manager also added additional tests for internal controls and testing for the allowability of costs. We also acted as observers during Logistics Division, Office of Installation Services Annual Inventory of Fixed Assets and Resale Merchandise.

Report Title and No.: DSCC Purchase Card Program (Appropriated Funds) FY 02, No. 43-02.

- a. Report Date: January 21, 2003.
- b. Report Objective: Determine if DSCC is in compliance with performing the Internal Control actions as outlined in the DSCC supplemental guidance to the DSCC Government-wide Commercial Purchase Card Program Guide, dated June 2000.

Report Title and No.: Review of DSCC Purchase Cardholders, No. 57-02.

- a. Report Date: January 21, 2003.
- b. Report Objective: Determine if there were additional purchases made by the two cardholders that were not an allowable use of appropriate funds from October 2001 through July 12, 2002.

Report Title and No.: DSCC Accounts Receivable, No. 17-03.

- a. Report Date: February 19, 2003.
- b. Report Objective: Verify the status of DSCC aged accounts receivable and determine if they are trending downward; ensure that the DLA guidance for reducing aged accounts receivable is being followed; verify that the proper research was conducted for those accounts receivable that have been written off; verify that the proper documentation is available for accounts receivable on hand; and evaluate the actions, including collection actions being taken to resolve aged accounts.

Report Title and No.: Price Increase, No. 38-02.

- a. Report Date: February 20, 2003.
- b. Report Objective: Determine, by contract line item number and unit price, if there had been significant price increases for multiple purchased National Stock Number (NSN) and determine, if applicable, reasons for any price increases.

Report Title and No.: Follow-up of Delivery Truck Procedures, No. 28-03.

- a. Report Date: February 25, 2003.
- b. Report Objective: Determine if DSCC Police Officers are in compliance with the delivery truck procedures implemented on March 12, 2002.

Report Title and No.: Non-Appropriated Funds (NAF) Convenience Checks for Fourth Quarter FY 02, No. 25-03.

- a. Report Date: February 27, 2003.
- b. Report Objective: Determine if purchases were authorized, if purchases were proper, if purchases were within authorized limits, if statements were reconciled, and if supporting documentation was maintained.

Report Title and No.: NAF Convenience Checks for First Quarter FY 03, No. 26-03.

- a. Report Date: February 27, 2003.
- b. Report Objective: Determine if purchases were authorized, if purchases were proper, if purchases were within authorized limits, if statements were reconciled, and if supporting documentation was maintained.

Report Title and No.: Convenience Checks Fourth Quarter FY 02, No. 29-03.

- a. Report Date: February 27, 2003.
- b. Report Objectives: Determine compliance with policy, ensure payments were proper, and determine timeliness of the reconciliation process.

Report Title and No.: Convenience Checks First Quarter FY 03, No. 30-03.

- a. Report Date: February 27, 2003.
- b. Report Objectives: Determine compliance with policy, ensure payments were proper, and determine timeliness of the reconciliation process.

Report Title and No.: Travel Card Audit of DSIO-MS, No. 35-02.

- a. Report Date: March 4, 2003.
- b. Report Objectives: Ensure that official Government Travel Cards were used only for purchases made while on official business under appropriate TDY orders; ensure that actual purchases made using official Government Travel Cards were appropriate to the official travel; and determine if any Government Travel Card accounts were in a delinquent payment status.

Report Title and No.: DSCC Equal Employment Office (DSCC-EEO) Statistics and Reporting, No. 08-03.

- a. Report Date: April 8, 2003.
- b. Report Objectives: Determine improvements in DSCC-EEO data gathering, data management, statistics, and reporting to senior management.

Report Title and No.: Fleet Automotive Support Initiative (FASI) Undefined Contract Action (UCA), No. 27-03.

- a. Report Date: April 14, 2003.
- b. Report Objectives: Determine the progress of the FASI UCA process and if the process is in accordance with regulation.

Report Title and No.: Carlson Wagonlit Travel Airline Ticket Prices, No. 23-03.

- a. Report Date: May 6, 2003.
- b. Report Objectives: Determine if DSCC travelers are offered the best air ticket prices.

Report Title and No.: Mass Transportation Incentive Program, No. 35-03.

- a. Report Date: May 6, 2003.
- b. Report Objectives: Identify and determine if adequate internal controls have been installed for the “Mass Transportation Incentive Program” at DSCC.

Report Title and No.: Police Department Staffing, No. 21-03.

- a. Report Date: May 12, 2003.
- b. Report Objectives: Determine if savings could be achieved without impairing the mission.

Report Title and No.: Follow-up Review of DoD IG Report on Qualified Product List (QPL) No. 34-93.

- a. Report Date: May 29, 2003.
- b. Report Objectives: The objectives were to determine if management action has been taken on audit recommendation number two regarding Product Quality Deficiency Reports (PQDR) and recommendation number three regarding traceability.

Report Title and No.: Audit of Government Travel Cards – DSIO-E, No. 13-0.

- a. Report Date: June 24, 2003.
- b. Report Objectives: Ensure that Government Travel Cards are used only for official Government travel, that transactions are appropriate, and that credit card payments are made in a timely manner.

Report Title and No.: DLA and DSCC Purchase Card Review, No. 39-03.

- a. Report Date: June 30, 2003.
- b. Report Objectives: Determine if the purchases were for valid Government purposes and the credit card was used appropriately.

Report Title and No.: Review of Convenience Checks Second Quarter, FY 03, No. 46-03.

- a. Report Date: June 30, 2003.
- b. Report Objectives: Determine compliance with policy, ensure payments were proper, and

determine timeliness of the reconciliation process.

Report Title and No.: Tech Quality Tracking System Database, No. 47-03.

a. Report Date: July 7, 2003.

b. Report Objectives: Determine if the database developed to track Quality Assurance Specialist and Equipment Specialists' workload is adequate and if it is an effective management tool. In addition, determine if control point studies are being conducted to collect information on the effectiveness and efficiency of Customer Depot Complaint System (CDCS) and to assure all organizations are entering complete and accurate data into CDCS.

DSCR:

During FY 03, each directorate and office completed a scheduled review of the Government Purchase Card program. No deficiencies were reported. In June 2003, DSCR's Internal Review Office conducted audit number D0308, "Government Purchase Card Transactions." The findings showed the controls were adequate, cards were safeguarded, billing account statements certified, and documentation were being maintained.

The Small Business Office requested that the internal review office perform an audit on processing of Small Business Coordination Record, DD Form 2579, for adherence to Federal Acquisition Regulation (FAR) Part 19. Forms for the period of September 2002 through February 2003 were reviewed. It was determined that the purchasing offices within the Business Operations and Supplier Operations offices were not in total compliance with the regulations. Further guidance has been provided those offices, and further reviews will be conducted to ensure corrective action has occurred.

Information Services (J-6):

Deloitte & Touche Management Report: Business System Modernization and Inventory Valuation, Document Reference Number 2002BSM1.4.

Dated: May 19, 2003.

OPI: Information Operations Directorate of Information Technology Policy, Plans and Assessment (J-65) Geoff Berntsen.

Directorate of Internal Review (J-308) Gloria Irvin, DSN 427-6271.

Objective: As part of DLA's effort to obtain an unqualified audit opinion and to address potential audit impediments related to Business Systems Modernization (BSM) and inventory valuation (Note: Inventory valuation is J-3 and J-8 responsibility).

Deloitte & Touche Management Report: Assessment of Processes for the Management of Property, Plant, and Equipment (PP&E), Document Reference Number 2002PPE1.1 Dated January 15, 2003.

OPI: J-65 Geoff Berntsen.

J-308 Gloria Irvin, DSN 427-6271.

Objective: As part of DLA's effort to obtain an unqualified audit opinion and to review processes used by DLA for accounting and reporting of PP&E. (Note: All actions were addressed to DLA Support Services (DSS) and J-8; however, J-6 was asked to provide support to

DSS on specific recommendations).

d. IG, DoD Reports and Reviews:

DDC:

Radiation Safety Program: Safety, Occupational Health, and Radiological Program review and inspection was performed by DDC employee worksites to measure the effectiveness of corrective actions taken regarding previous findings and to identify any additional hazardous circumstances or conditions affecting worker safety. DSS-EH evaluated DDC's Radiation Safety Program on January 21-23, 2003. The evaluation consisted of all available DDC Radiation Safety Program audits, reports and documents submitted to DDC by the depots radiation protection personnel, Engineering and Technology Associates (EA) Inc., and DDC Radiation Safety staff evaluations. Based on all available reports, EA performs very thorough radiation protection program reviews of the depots. In addition, EA is taking the initiative to provide training and assistance as needed, to correct or enhance the depots radiation safety programs. Interviews and discussions were conducted with DDC's Radiation Safety Staff as part of the evaluation. The HQ DLA review of the Radiation Safety Program found no issues of non-compliance and all recommended action were incorporated. Inspection reports for each depot were compared with previous reports and significant or repeat findings were identified to senior management with immediate corrective action taken.

Financial Liability Investigation of Property Loss (FLIPL): A senior investigator of the DLA Criminal Investigations Activity (DCIA) reviewed the FLIPL process at DDSP. Key findings and observations centered on the files and the control register which lists FLIPLs performed. All findings and observations in the DCIA report are being addressed by DDSP.

Defense Energy Support Center (DESC):

Audit of Calendar Year 2000 Incurred Costs.

DCAA Audit Report No: 2191-2000G10100002.

DESC: Master Sergeant Samuel Cooks, DESC Europe.

Objective: The purpose of the examination was to determine allowability of direct costs for the period January 1, 2000, through December 31, 2000, under Contract/Agreement Implementing Arrangement IT/ARMAERO-US/DESC-99-0101.

Final Report August 28, 2002. No findings and recommendations for DESC.

Controls Over the DoD Aviation Into-Plane Reimbursement Card.

DoD IG Project No: D2002LG-0006.

OPI: J-3 Nancy Kulig, DSN 427-2501.

DESC: Deborah Van Kleef, DSN 427-8501.

J-308: Peggy Hayes, DSN 427-6262.

Objective: Evaluate the use of the Aviation Into-Plane reimbursement card and the controls over the processing of reimbursement card payments.

Final Report D-2003-003, October 3, 2002. One finding and five recommendations for DESC's material weaknesses directed to the Services.

DoD Alternative Fuel Vehicles.

DoD IG Project No: D2001CK-0132.

OPI: DSS Corporate Installations (DSS-I), Jim Twining, DSN: 427-3516 and Phil Dawson, DSN: 427-6173.

DESC: Frank Boyle, DSN: 427-9356.

J-308: Peggy Hayes, DSN 427-6262.

Objective: Determine whether DoD plans for alternative fuel vehicles were properly developed and implemental to fulfill the requirements established by the Energy Policy Act 1992 and Executive order 13031, "Federal Alternative Fueled Vehicle Leadership," December 13, 1996.

Final Report D-2003-025, November 22, 2002. No findings for DESC, recommendations directed to Office of the Secretary of Defense (OSD).

FY 03 Operations and Maintenance Bulk Fuel,

General Accounting Office (GAO) Code: 350144.

OPI: J-8, Pam Spillman DSN 427-7254.

DG: Rix Edwards DSN 427-6076.

DESC: Jean Lynch, DSN 427-9486.

J-308: Peggy Hayes DSN 427-6263.

Objective: To review estimated funds requested and related assumption for selected areas of their FY 03 operations and maintenance budgets. No report issued.

Military Operations: Contractors Provide Vital Services to Deployed Forces But Are Not Adequately Addressed in DoD Plans.

GAO Code: 350239.

OPI: J-34, Lieutenant Colonel D.W. Ray, USA, DSN 427-0164.

DESC: Emilia Snider, DSN 427-9671.

J-308: Anell Williams, DSN 427-6274.

Objective: (1) What capabilities are contractors providing to fulfill the requirements of deployed U.S. forces? (2) What factors lead DoD to employ contractors to support the requirements of deployed U.S. forces and what are the implications or military training? (3) How would DoD continue to support deployed operations should contractor services become unavailable? (4) How does DoD provide contract oversight, including ensuring that contracts for operational support services are efficient and cost effective?

Final Report GAO-03-695, June 2003. No findings and recommendations for DESC.

FY 03 Logistics Planning Research for Future Audits and Evaluations.

DoD IG Project No: D2003LH-0015.

OPI: Logistics Operations Acquisition, Technical, and Supply Directorate (J-33), David Gibson, DSN 427-3640.

DESC, Emilia Snider, DSN 427-9671.

J-308: Peggy Hayes, DSN 427-9671.

Objective: Gather data, make inquiries, and conduct general research into potential audit and evaluation projects in the logistics areas of weapon system maintenance, transportation, and fuels. No report issued.

Petroleum War Reserve Stock.

DoD IG Project No: D2002LG-0179.

OPI: DESC-B, Colonel Keith Stedman, USA, DSN 427-9306.

J-308: Sharon Nelson, DSN 427-6267.

Objective: To evaluate whether the management and processes used to procure, store, and account for petroleum war reserve stock meet DoD requirements.

Final Report (Classified). One finding and one recommendation for DESC.

Joint Audit of Selected DoD Purchase Card Transactions.

DoD IG Project No: D2002CM-0117.

OPI: J-308, Gloria Irvin, DSN 437-6271.

DESC: Ann Sielaty, DSN 427-7311.

J-308: Sharon Nelson, DSN 427-6267.

Objective: Determine whether selected purchases identified through data mining techniques are appropriate.

Final Report D-2003-109, June 27, 2003. No findings and recommendations for DESC.

DNCS:

DoD IG Audit of the Defense Hotline Allegation Concerning Contracting for the Sale of Commodities by the Defense National Stockpile Center.

Project No. D2003LH-0083.

DSCR:

Project Number

Audit Title

D2003LD-0111	DoD IG Review of DLA's Inactive NSNs
D2002CM-0117001	Joint Audit of Selected DoD Purchase Card Transactions
D2002-D000CF-0169	Audit of Government Source Inspections
D2002AS-0165	DLA Information Assurance Investment Initiatives
D2003LD-0180	Re-announcement of the Audit of Special Program Requirements
D2003LD-0018	DLA Processing of Other Nonrecurring Requirements
D2003AB-0017	Audit of Allegations of the Defense Contract Management Agency (DCMA) Performance in Administering Selected Weapon System Contracts
Deloitte & Touche	Selective Assessment of DLA's PP&E Business Process
Deloitte & Touche	DLA FY 02 Accounts Receivable/Payable Assessment

DRMS:

Audit of Commercial Venture (CV) program feasibility.

DoD IG Project No.: D2002CH-0030.000.

Objective: Review CV program for use.

Status: DRMS is reviewing audit report and is forwarding management comments to DoD IG indicating concurrence or non-concurrence of each finding and recommendation.

Audit of Controls Over the Return of Repairable Assets.

DoD IG Project No.: D2002LD-0142.

Status: On-going, fieldwork continues.

Audit of Law Enforcement Support Office (LESO) Excess property program.

DoD IG Project No.: D2002LD-0217.

Status: DoD IG final report received June 03, DRMS comments on report recommendations forwarded to Director, LESO, July 14, 2003.

Audit of the Disposal Process for Navy Repairable Assets.

DoD IG Project No: D2003LD-0081.

Status: On-going, fieldwork continues.

J-3:

There were four DoD IG reports closed during this reporting period. No material weaknesses or concerns were identified.

Material Distribution Services Contract at DDC, Warner Robins, GA.

DoD IG Project No.: D2001CK-0144 .

OPI: J-374 Linda Heine, DSN 427-1049.

J-308 POC: Sharon Nelson, DSN 427-6276.

Objective: Evaluate the contract administration of the warehousing and material distribution services contract at DDC, Warner Robins, GA.

Contract Actions Awarded to Small Business .

DoD IG Project No: D2001CF-0133.

OPI: J-33 Bob Morrison, DSN 427-3778.

DB: Anthony Kuders, DSN 427-1664, Fax 427-0133.

J-308 POC: Peggy Hayes, DSN 427-6262.

Objective: To determine whether contracting officers awarded small business contract actions in accordance with FAR, Part 19, when these actions exceeded the threshold for competition.

Audit of the DoD Excess Property Program.

DoD IG Project No.: D2002LD-0217.

OPI: Logistics Operations Disposition Management Division (J-372) Mark Aicher, DSN 427-1538.

J-372 Thomas Small, DSN 427-3664.

J-308 Annell Williams, DSN 427-6274.

Objective: Evaluate the excess property program (1033 Program) managed by the LESO of the DLA.

Controls Over the DoD Aviation Contract Fuel Program.

DoD IG Project No.: D2002LG-0006.

OPI: DESC Emilia Snider, DSN 427-9671.

CAO: J-3 Nancy Kulig, DSN 427-2501.

J-308 Peggy Hayes, DSN 427-6262.

Objective: Evaluate the use of the Aviation Into-Plane reimbursement card and the controls over the processing of reimbursement card payments.

J-6:

Final IG, DoD Reports. Two Final DoD IG Reports concerning Information Assurance Management were issued during FY 03:

Allegation Concerning Information Assurance Management at DLA.

DoD IG Report No. D-2003-80.

OPI: J-63, Major Morrison, USA or Jeff Roth or Captain Talwar, USN.

Objective: To determine whether DLA implemented the certification and accreditation process in accordance with DoD Instruction 5200.40, "DoD Information Technology Security Certification and Accreditation Process (DITSCAP)." DLA non-concurred with the findings and recommendations of this final report. Accordingly, the report has been referred to the oOD IG mediation process.

Implementation of Government Information Security Reform at the DLA

DoD IG Report No. D-2003-114

OPI: J-63, Major Morrison, USA or Jeff Roth or Captain Talwar, USN

Objective: To assess the DLA implementation of the Government Information Security Reform requirements and evaluate selected information security programs, projects, and networks to determine whether they comply with statutory and DoD information assurance initiatives, policies, and procedures. DLA comments to the findings and recommendations in this report are in process.

e. MC Training:

The DLA MCP Manager conducted a workshop for all program managers. The DLA program manager and DSCC MCP Manager conducted a 4-hour training session on how to perform management control functions and the latest DoD and DLA guidance. This training will be presented to each field site by the same team, but the local program managers will be responsible for presenting it after the first session at each field site.

This training package, along with DoD and OMB guidance, is posted on the DLA website for Management Controls.

All field-level office MCP Managers provided assistance and individualized instruction throughout the year as needed by new managers, control objective managers, and MCP Coordinators.

f. MC Performance Standards:

In a memorandum to all DLA components, subject: Performance Standards and (Internal) Management Control, dated October 2, 1998, DLA directed all activities to include MCs as a performance standard in each manager's performance plan. In January 2003, DLA issued a new Supervisory/Managerial Performance Plan that included the following as a competency, "Ensures that an internal control system for efficient and effective management of programs, security policies, and daily operations is in place to safeguard against waste, fraud, unauthorized use, or misappropriation to ensure that revenues and expenditures applicable to DLA operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial statistical reports and to ensure that proper accountability is maintained." The DLA MCP performance standards are in compliance with the GAO Internal Control Management and Evaluation Tool.

g. GAO Reports and Reviews:

Defense Supply Center Columbus (DSCC):

Audit Began: March 12, 2001, Project Number: D2001PT-0023, Type: DoD IG.

Title: Evaluation of the DSC's Quality Assurance Programs.

Audit Objectives: To evaluate the Quality Assurance Programs. To evaluate the effectiveness of the Qualified Products List (QPL) and Qualified Manufacturers List (QML) Programs at the Defense Supply Center Richmond (DSCR) and DSCC in expediting the purchase of quality commodities and reducing Government oversight.

Final Report Date & Number: November 2, 2001. D-2002-093 Follow-Up: Open.

Audit Began: December 12, 2001, Project Number: D2001-0128.001, Type: DoD IG.

Title: Review of Supply Inventory Management: Terminal Items Managed by DLA for the Navy.

Audit Objectives: Evaluate the procedures used to identify and delete DLA managed terminal NSNs with only Navy user interest.

Final Report Date & Number: July 22, 2002. D-2002-0131, Follow-Up Open.

DSCR:

Project Number

Audit Title

350410

Effectiveness of DoD Performance Contracts as Management Tools

350223

Foreign Military Sales Program for Spare Parts

350251

Review of DLA Initiatives to Overcome Spare Part Shortages

h. Review of OSD Functional Proponent Proposals (e.g. systemic weaknesses:

One material weakness was reported by J-3, Valuation of Inventories in SAMMS, falls under the systemic weakness category of Information Assurance.

One materiel weakness was reported by DAASC, Information System Intrusion, falls under the systemic weakness category of Information Assurance.

Details of the above weaknesses are provided in Tab B of this report.

i. Information Technology Initiatives:

All reported initiatives were considered in the preparation of this statement.

DDC:

Information Security: During FY 03, DDC J-6 provided support for all DDC end-user access and access privileges networks, servers, Distribution Standard System, Distribution Planning and Management System (DPMS), BSM, and other applications, DDC's enclave Local Area Network (LAN) border protection (firewalls), Demilitarized Zone (DMZ), intrusion detection, and virtual private networks, DDC Defense Message System (DMS), and DDC Secret Internet Protocol Router Network (SIPRNET). Additionally, DDC J-6 provided

DDC information assurance policy and guidance, information auditing, Public Key Infrastructure (PKI) certificate distribution and management, and support for DITSCAP and DLA and DDC Computer Emergency Response Team (CERT) software patch distribution. Finally, during FY 03, DLA and DDC J-6 is continuing the process of coordinating and migrating all DLA DMS responsibilities to DDC HQ, and DDC J-6 began deploying SIPRNET connectivity to each of its distribution depots, Continental United States (CONUS) and Outside Continental United States (OCONUS).

Net Landed Cost (NLC): NLC Processing has been in operation for 2 years. The NLC goal is to provide proper pricing and visibility of charges in the form of a monthly Compact Disk (CD) to supply chain customers so they may make informed decisions on distribution matters. NLC storage was implemented in FY 03. Customers will be billed based on item cube by the categories of covered, open and specialized. The NLC storage implementation will continue DDC's goal to provide customers with greater visibility of their distribution costs.

Defense Logistics Information Service (DLIS):

DLIS is the operations manager for the DoD EMALL. The DoD EMALL assessments are performed using In-Process Reviews (IPR) with the DLIS Corporate Board, weekly telephone conference calls with other DLA team members and contractor staff, and by the validation of functional requirements through system acceptance testing. The primary MC control is the DLIS Commander through the DLIS Corporate Board. DLIS has program responsibility for the DoD

EMALL. The DoD EMALL is on schedule and operating within budget. Customer requirements are being identified and brought into the program on a timely basis.

The purpose of the Cataloging Reengineering System (CRS) MC objective is to ensure development is on schedule and within budget while providing reengineered processes for DoD cataloging. The primary control is the DLA Program Review Board chaired by DLA's

Information Operations Program Executive Officer (PEO). Three IPRs occurred this year and CRS was moved into production on June 2, 2003. The DLIS CRS program manager will monitor progress and all critical test parameters will be retested prior to expanding usage of CRS within DLIS. Corrective actions will be implemented as required.

The Defense Supply Expert System (DESEX) was completed on-time, on-schedule, and within budget. The MC controls in place include: project officer progress reports, weekly conference calls with developer, bi-weekly program reviews with DLIS managers, monthly program reviews with developer, and quarterly reviews with HQ DLA (J-64 and J-34). Information reviews include financial planning, execution tracking, and general progress reports. There are no indications of any material weaknesses.

DRMS:

Performance management initiative - Performance Management software will allow DRMS to have a more proactive approach to dealing with performance data. Software technology will aid in streamlining management processes, it will better depict cause and effect relationships between measures, it will provide DRMS with the ability to auto-extract live real-time data, it will provide live real-time briefing capabilities, and it will ultimately provide DRMS with the capability to visually observe the overall health of the organization on a daily basis, minimizing potential areas of operational risk. (Initiative results not yet realized.)

J-6:

DLA's BSM is part of the Agency's Portfolio Management process, which ensures that IT initiatives complement each other, ensuring alignment of initiatives against Agency and Department goals and implementing risk mitigation against our investments. The BSM and Fuels Automated System (FAS) reengineering effort supports both DoD and DLA's strategic objectives. Since BSM and FAS are Acquisition Category (ACAT) 1A programs, Office of the Assistant Secretary of Defense Network and Information integration ASD/NII retains Milestone Decision Authority. Each program maintains an Acquisition Program Baseline (APB) which baselines the Programs' cost and schedule objective and threshold. Within DLA, the Modernization Executive Board (MEB) and the DLA PEO exercise oversight of the BSM and FAS Programs.

DLA is in the process of implementing an agency-wide Asset Management program. Supporting software and hardware for this program will allow central control of asset inventory, placement, and capacity management. Additionally, the Asset Management program will provide visibility

of all network devices and associated software applications. The program should be in place by the end of FY 04.

Headquarters IT Services Office (J-631) has implemented an online repository for the identification and custody control of all non-consumable types of Automated Data Processing (ADP) devices. This also includes laptops and Blackberry devices. The system requires all ADP equipment to be bar-coded and registered in an on-line data repository for inventory tracking purposes.

DLA has implemented a robust Information Assurance (IA) program using an enterprise approach that is based on a defense-in-depth strategy. This approach is focused on achieving the DLA Strategic Plan objective to create and maintain a secure operating and data environment for DLA systems, networks, and web sites by attaining 90 percent compliance with DoD Instruction (DoDI) 8500.2, "Information Assurance Operations," February 2003, by the end of the Fourth Quarter of FY 05.

DLA's enterprise-wide IA efforts are further guided by the requirements of maturity level five of the Chief Information Officer Council's Federal Information Technology Security Assessment Framework. A key component in DLA's defense-in-depth strategy is an enterprise firewall and intrusion detection management infrastructure that has been implemented using Agency standard technology products and services. Specifically, a centralized firewall management server and extensive intrusion detection system configurations have been installed to provide enhanced security for the DLA enterprise telecommunications network.

Corporate IA product ordering agreements are in place, and corporate plans for enclave boundary protection, PKI, computer network defense, access controls, IA architecture, IA training, and certification and accreditation are being implemented that meet DOD and industry standard best practices.

PKI technology, using Common Access Cards, card readers, and middleware is being deployed agency wide to ensure adequate protection for sensitive data. Access controls for DLA systems, networks, and web sites are being strengthened through application of policy and associated procedures to ensure that access is granted only on a need to know basis.

DLA is implementing an ASD/NII sponsored initiative, the Enterprise Mission Assurance Support System (eMASS). This system serves as the centerpiece of an on-going DoD effort to develop and implement an array of technical initiatives that re-engineer and automate a broad range of Information Assurance functions. eMASS delivers a comprehensive enterprise-wide solution for information assurance management support in a series of phased deployments. It consists of an integrated suite of government-owned, Commercial off-the-Shelf (COTS)-based relational database management systems, and an associated Web interface that automates several certification and accreditation processes. Additionally, it may automate other core IA processes to include: vulnerability management, ports and protocols management, IA personnel and resource management, incident reporting, continuity planning and contingency management, and

IA architecture and asset management.

All DLA systems networks, and web sites have been evaluated for certification and accreditation, and scheduled for annual revalidation testing. The DLA CERT has identified several system, network, and web site vulnerabilities and implemented remedial actions to mitigate or eliminate risks to DLA business operations. DLA has effectively complied with vulnerability notifications by obtaining and installing system patches, making procedural changes, and reporting IA Vulnerability Alert (IAVA) compliance within established time standards. J-65 routinely applies various management controls to monitor obligations and costs throughout each FY. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation. Revenues and expenditures are properly recorded and accounted for through various automated accounting, financial and statistical reports which maintain accountability over the Agency's assets. Internal reviews and meetings are conducted monthly and quarterly within the business areas to account for all elements of cost.

J-65 routinely applies various management controls to monitor obligations and costs throughout each FY. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation. Revenues and expenditures are properly recorded and accounted for through various automated accounting, financial and statistical reports which maintain accountability over the Agency's assets. Internal reviews and meetings are conducted monthly and quarterly within the business areas to account for all elements of cost.

All J-6 personnel who certify invoices for payment have taken the Certifying Officers Representative/Contracting Officer's Technical Representative Training Course. The controls in place are adequate to safeguard the performance of this function.

j. MC References in Directives, Regulations, and other Guidance:

Program references have been and will continue to be incorporated into directives, regulations, and other published guidance.

Guidance referenced:

OMB Circular A-123 (Revised), Management Accountability and Control

DoD MCP Directive 5010.38

DoD MCP Instruction 5010.40

DLA One Book Chapter, which superceded DLA regulations DLAD 5010.4, DLA MCP

Directive and DLAI 5010.4, DLA MCP Instruction

Federal Managers' Financial Integrity Act of 1982

DLA FY 03 Guidance

DLA developed Training Guide

Policy for use of MC associated with Installation Real Property Management (Supplement to

Army Regulation PAM 405-45), Chief Financial Officer's Act of 1990, DPAS – IFS Interface

Cookbook, Interim Change Package 12-01 dated December 1, 1999

Local guidance at field activities.

k. Congressional Reviews and Hearings:

DNOSC provided Mercury Management briefings to congressional representatives in the states potentially affected by the Mercury Management Environmental Impact Statement (MEIS). These states are New York, New Jersey, Tennessee, Utah, Nevada, Ohio, and Indiana.

DLA was not involved in any Congressional Reviews or Hearings this year.

l. Command or other subordinate organization “Letters of Assurance”:

All field activities and DLA HQ Business Offices submitted letters of assurance for inclusion in the DLA submission.

m. Productivity Statistics:

DLA HQ:

Quarterly updates of performance metrics are reported in the Internal Support review and the DLA Corporate Business Plan.

DAASC:

The DAASC service availability goal for all mission critical application is 100 percent. DAASC uses a COTS outboard system management tool that performs process and network monitoring. This system monitors both processing sites and provides the DAASC with an early warning and detection capability, which prevents a problem from going unrecognized. DAASC has in place internal controls that require the system manager on duty to escalate problems based upon strict timeframes. The DAASC outboard system management administrator, system administrators, and Automated Information System (AIS) developers have designed and implemented over 700 processing rules and scripts that are continually performing checks to ensure DAASC meets or exceeds our customer service requirements. The DAASC problem detection and escalation policy ensures that problems are reported, monitored, assigned to the proper organization, and escalated. These controls help to prevent a simple processing problem, equipment failure, or environmental problem from expanding into a major problem or even a disaster. Problem reports are automatically tracked through closure. Resolution analysis is performed to reconcile issues to minimize future occurrences. DAASC has migrated logistics capabilities to the web and will continue to migrate more capabilities to the web. We are continuing to add enhancements to the current capabilities to make them more robust and user friendly. Statistical metrics are being captured on the usage of these web-enabled tools.

DDC:

DDC reviews related statistics of all depots to ensure performance meets or exceeds DLA goals. DDC initiated and maintains an active Review and Analysis program that addresses and tracks status of other distribution issues and projects. The management indicators are consistent with the Balanced Scorecard and the DLA Strategic Plan.

DRMS:

The DRMS Review and Analysis (R and A) discloses the performance of necessary DRMS operations or initiatives deemed important by DLA and DRMS. DRMS Statistical Quality Control (SQC) database provides summary reports for either DRMO or overall DRMS. These reports highlight workload versus labor costs. The DRMS Compliance Assistance Management system (CAMS) measures DRMO compliance in multiple areas, highlighting potential problems, or elements of concern.

DSCC:

Monthly and quarterly updates of core business statistics

Monthly Readiness Reviews to Command

Monthly DSCC Command briefings of core performance and financial metrics (Corporate Performance Reviews)

Monthly/Quarterly Performance Management Reviews to DLA HQ

Balanced Scorecard: Quarterly briefings and data monthly to Command and DLA HQ

Dashboard Metrics: performance and financial metrics from corporate level to the individual level with most metrics updated daily – available to each DSCC associate via the Integrated Workstation Portal

DSCC Annual Business Plan goals/reports

DSCR:

Productivity statistics are the concern of all DSCR managers and are used as indicators of problem areas under periodic review. Where applicable, statistics are reviewed to ensure performance meets or exceeds DLA established goals.

J-3:

There were four quarterly Performance and Execution Reviews during the reporting period. No adverse actions were taken as a result of these reviews. There were seven Monthly Performance Reviews held during the reporting period. Performance was improving until preparatory phase of Operation Iraqi Freedom. Additionally, the DLA Balance Scorecard quarterly R and A process provides performance management statistics on the more strategic measures in the DLA Strategic Plan.

Joint Reserve Force (J-9):

Reservist fill rate is measured quarterly. Overall J-9 fill rate is meeting the established goal. The Army Reserve has progressively increased its percentage fill in the FY from 50 percent at the end of FY 02 to 81 percent at the end of the quarter of FY 03.

n. Defense Regional Inter-service Support Studies:

All studies were considered in the preparation of this report.

DDC:

DDC enters into a significant number and dollar volume of support agreements both as the supplier and receiver of services. Reimbursement is assured via Military Interdepartmental Purchase Requests (MIPR). FY 03 status of Defense Regional Inter-service Support Agreements (ISA) and Service Level Agreements (SLA) are as follows:

ISA	Estimated Dollar Amount
96 as Supplier	\$74,999,321
96 as Receiver	\$30,722,851

As Supplier: DDC Depots provide distribution support to customers, from all branches of the Service, through the ISSA. Distribution support includes such services as Preservation and Packaging, DEMIL, Inventory, Processing and Painting Wheeled and Tracked Vehicles, Inter-depot Movement. In addition, the DDSP and the DDJC are the host activities providing base operations support to the tenants. Types of base operation support include Fire Protection, Safety Support, Disaster Preparedness, Environmental Protection, Police Services, etc.

As Receiver: DDC Depots, as tenants, receive base operations support from the host activity and various other providers through an ISA.

SLA	Estimated Dollar Amount
4 as Receiver	\$34,205,000

As Receiver: DISA provides mainframe-processing service for Distribution Standard System to DDC for mission support to all of DDC activities. Defense Information System Agency (DISA) also provides local support to a few DDC Depots for information technology and telecommunications services.

MIPRs: Reimbursement for services received or provided is accomplished via DD Form 448, Military Interdepartmental Purchase Request (MIPR). Reimbursement billings due under the terms of the agreements will be by a “no check drawn” SF1080, Voucher for Transfer Between Appropriations and or Funds, which are submitted on a monthly basis by DFAS.

DESC:

DLA Support Services – DSS	\$2,528,628.31
J-631 Headquarters Complex Info Tech Services (HQITS) -	727,684.71
DLA Special Staff General Counsel - DG	81,064.78
DLA Human Resources	425,383.30
Financial Operations J-8	<u>197,059.45</u>
TOTAL	\$3,959,820.55

o. Management Reviews in other Functional Areas (e.g., Procurement; Command, Control, Communications and Intelligence; Financial; or Environmental):

DNSC:

DNSC Directorate of Stockpile Contracts: As part of our Risk Assessment and Internal Management Control Review, results are accomplished by random quarterly reviews of sales and acquisitions files; and regulatory changes.

DNSC Office of Planning and Market Research: A review was conducted of its control elements, exclusive of accounting and financial responsibilities for which this office has no assigned responsibilities. The FY 03 assessment of the general controls, inherent risks, and the safeguards indicates an overall low vulnerability. This vulnerability relates directly to the outside influences on the Stockpile program created by unanticipated changes in the commercial commodity markets, unexpected policy changes from higher Headquarters and the Congress, and from newly imposed deadlines or the raising of domestic industry and Congressional constituent issues.

DNSC Directorate of Environmental Safety: DNSC has established an Environmental, Safety and Occupational Health Management System that conforms to the international standard, ISO 14001 and the Occupational Health and Safety Assessment Series (OHSAS) 18001. DNSC will be the first DLA activity to have a system in place and is among the first in DoD. This system is expected to improve operational efficiencies and proactively manage environmental, safety and occupational health programs. DNSC Operations (DNSC-O) has implemented this program at all depot locations.

DNSC Office of Resource Management: Reviews were conducted in the following areas: Personnel databases and time keeping program databases, bid room Standard Operating Procedures (SOP), Defense Working Capital Accounting System (DWAS) inventor cash collections, unliquidated obligations, accounts receivable, and Government Purchase Card (IMPAC) and Government Travel Card usage. There were no losses to report for this FY.

DNSC-O: Depot Management Review (DMR) System, which involves the dispatch of DMR Teams to conduct on-site reviews of depot operations. The review evaluated major directorate functions: storage operations, quality assurance, facilities maintenance and environmental protection. During these reviews discrepancies are noted and recommendations formulated for their correction. A quarterly tracking system ensures implementation.

DSCC: Corporate Performance – Compliance Reviews

Formal review with DSCC Internal Review Office of compliance with Individual Repair Parts Ordering Data (IRPOD) policy: Complete Navy Critical Safety Item (CSI) formal compliance review: Completion estimated FY 04 Army CSI formal compliance review: Completion estimated FY 04.

Routine, ongoing Navy CSI Reviews:

Compliance review upon receipt of new CSI listing (approximately weekly) to check for various Contracting Technical Data File (CTDF) elements.

Weekly Missing Data Work List (MDWL)/Purchase Request (PR) compliance review to determine if MDWL was processed correctly, including packaging, from a technical/Quality

Assurance (QA)/supervisor perspective.

Weekly Solicitation compliance review (with Procurement) to determine if buyer/supervisor processed correctly.

Monthly contract review based on DSCR listing.

Routine, ongoing Army CSI Review:

Compliance review upon receipt of new CSI listing (approximately weekly) to check for various CTDF elements.

Routine, ongoing DSCC Internet Bid Board System (DIBBS) review to identify inconsistencies in technical data on open solicitations.

Source Control Drawing NSNs, QPL NSNs

Proprietary data in Bidsets.

Ongoing DLA Form 339 (Request for Engineering Support) reviews to determine if Engineering Support Activities (ESA) were properly selected and to assure data included with the DLA Form 339 is correct, in addition to general compliance review.

Foreign Military Sales (FMS) Follow-up Review.

DLA Metrics and Controls – Defense in Depth (McDID) Validation testing of the DSCC computer network Dec 2001 (Annual requirement).

Emergency Services:

Fire inspections, fire drills, tornado drills; Identification card checks (100 percent at entry gates); inspection of non-registered vehicles (100 percent); inspection of registered vehicles (random); random inspection of visitors; Space and Naval Warfare Systems Center (SPAWAR) Physical Assessment Report, January 7, 2003; and Fire Protection Operation Readiness and Fire Prevention Audit, June 24-27, 2003.

Procurement:

Purchase card and approving official accounts reviews – annual.

Convenience Check Reviews (Quarterly reviews by DSCC-DI).

Procurement Management Review (PMR), conducted by DLA HQ, March 2003.

Quality Review of the Business Clearance Unit, DSCC-PC, conducted by DLA HQ (J-3313) July, 2003.

DSCC-PC conducted four internal PMRs of DSCC's Application Groups during FY 03.

Monthly reviews of Procurement Automated Contract Evaluation (PACE), small purchase awards, and first time buys. This is done based on a statistical sampling of the number of awards made.

Quarterly reviews of awards made by every contracting officer as part of the Statistical Tracking and Review System (STARS) program. These are ongoing reviews.

Comptroller:

Monthly reports are provided to DLA HQ on the Programming/Planning Budgeting System (PPBS) process, Cash Management and Budget Execution.

Capital Monthly Phasing Plan is provided monthly to DLA HQ.

Monthly/annual reviews of financial status of each ISA.

Tri-annual Unliquidated Obligation (ULO) Reviews to HQ
Monthly travel card (VISA) delinquency report to DSCC Command leadership, and DSCC serviced tenants (tracked monthly by DLA HQ).
Monthly accounts receivable/accounts aging analysis to HQ.
Monthly report - interest paid on overdue invoices.
Capital Reconciliation – are continuous with HQ reports three times per year. Additionally, HQ has initiated a comprehensive Accounts Receivable and Accounts Payable Review.

Child Development Center (CDC): DLA HQ conducted an unannounced inspection at DSCC's CDC June 9-12, 2003 and DSCC staff (DSCC-W) in May 2003.

Property Accountability:

Wall-to-wall inventories of all accountable government property, plant, and personnel equipment
Spot inventories to ensure that the hand receipt holders are in compliance with current policies.

Safety:

Annual inspections/surveys of Center operations and serviced organizations. Quarterly safety program assessments are conducted by DSCC-DW.

J-3:

Procurement Management Reviews (PMR):

One of the primary means for determining reasonable assurance has been established through the conduct of PMRs of the Agency's contracting offices. Through PMRs, J-33 can establish accountability for all contracting functions and measure and evaluate each contracting office's performance. The PMR teams examine procurement processes to ensure that assets, program responsibilities, and contracting operations have been reasonably insulated against fraud, waste, abuse, and/or mismanagement. PMRs also evaluate the efficiency and effectiveness of each activity's management control program. The frequency of reviews is based upon an annual risk assessment, but all activities are reviewed at least once every 4 or 5 years, more frequently if there is a need. The PMR program is in agreement with the principles and objectives of the National Performance Review, the Government Performance and Results Act and current Agency corporate performance plans. Supply Centers, as well as many of the other contracting activities, have also adopted local PMR programs similar to the HQ approach as part of their oversight. Local review teams are composed of individuals drawn from throughout the procurement organization.

PMR teams assess procurement integrity, business practices, compliance with laws and regulations, and overall efficiency and effectiveness of the organization. To accomplish this, team members review performance data; look at a random sample of individual contract and purchase order files; examine documentation supporting a broad range of programs; observe and analyze processes related to the activity's organizational structure and operations; and interview a cross section of personnel in the organization. Key managers are briefed throughout the process. Commanders and Administrators are sent a report with detailed discussions of deficiencies and recommendations for improvement shortly after each PMR is completed. The activity reviewed is required to prepare a management plan in

response to findings and recommendations of the PMR report that outlines the corrective action to be taken.

Scheduled PMRs were conducted at DSCC, Defense Supply Center Philadelphia (DSCP) General & Industrial (G&I) Directorate, DSCP Directorate of Subsistence, and DDC. A fifth PMR will be conducted at the DSCP Office of Procurement Management during the period of August 18 through 29, 2003. While each PMR identified a need for several corrective actions to improve the integrity of the procurement process, business practices, compliance, and efficiency or effectiveness, no material weaknesses were reported.

Establishment of the Center Senior Procurement Official (CSPO) and Evaluation of Contract Quality Management Plans (CQMP): The integration of the contracting function into multi-functional teams has heightened the need to ensure that contracting responsibilities are managed in a way that minimizes the risk attendant to the integration of contracting into these teams. As a result, in FY 96, the position of CSPO was established at each of the Supply Centers. This position is to be occupied by a strong, functionally independent procurement official who oversees the procurement function and who will ensure the fundamental integrity of each activity's procurement system. In conjunction with the CSPO carrying out his or her duties and responsibilities, the Head of Contracting Activity (HCA) were required to develop a CQMP. The purpose of the CQMP is to assure that each HCA has in place an effective management control plan that specifies how the CSPO's duties will be accomplished and ensures contracting system controls and integrity. The CQMP also addresses how the CSPO will achieve continuous improvement of contract quality in all phases of the procurement process. Each Defense Supply Center (DSC) has a CSPO in place carrying out the prescribed duties and responsibilities. J-33 staff reviewed each Supply Center's CQMP during FY 03 and found no material weaknesses.

Evaluation of Field Quality Programs: Contracting activities are responsible for providing an effective management system to monitor, evaluate, and improve the quality of contracting. Each activity is responsible for developing a quality program that would meet several regulatory standards and result in continuous improvement in the quality of contracts. The individual at each activity who is responsible for contract clearance and oversight maintains this program. These offices have been established as the principle partners for advancing the quality of the total procurement system and as the focal points for fostering process improvements. The reviews are also accomplished to see that the DSCs have complied with the standards, have developed initiatives that are oriented toward procurement processes, and have promoted quality throughout the organization and in all aspects of contracting.

During FY 03, the activity contract clearance and oversight function was reviewed during PMRs conducted at DSCC, DSCP Subsistence, DSCP G&I, and DDC. A fifth review was scheduled for DSCP Office of Procurement Management during the period of August 18 through August 29, 2003. No material weaknesses were found.

Contract Clearance and Oversight Program: Through a contract clearance and oversight process, J-33 staff performs individual contract file reviews on the Agency's most complex, high risk, and sensitive contracting actions to ensure the laws, regulations, and sound business practices are properly applied in carrying out the Agency's mission. The recommendations of these reviews are authoritative in nature

and are designed to improve the overall quality of contracts and to enhance operations through recommending changes to procurement policies, procedures, and practices. The reviews provide one basis for J-33 to reasonably assure that procurement systems are performing in an acceptable manner. From July 16, 2002 through May 30, 2003, J-33 reviewed 58 individual contract files on a pre-solicitation, pre-negotiation, pre-award, or post-award basis. This compares to 61 files in FY 02, 52 files in FY 01, 59 files in FY 00, 37 files in FY 99, and 16 files in FY 98. While some of the reviews required corrective action before or after award, none of the reviews disclosed any material weaknesses.

Reviews by the Acquisition Planning Executive Council (APEC): The J-33 mission and objectives statement specifies that the organization provide broad managerial and executive oversight of the procurement of supplies and logistics services and support for the Agency's mission and strategic objectives through acquisition excellence. In carrying out this mission, J-33 leads a multi-disciplinary team that performs oversight of proposed high visibility acquisitions through reviews conducted by the APEC and the Integrated Acquisition Review Board (IARB). In January 2003, the IARB replaced the APEC as the primary method of conducting these reviews. The IARB is a multi-tier approach to oversight with additional reviews at various program milestones vice the APEC's single approval. HQ DLA advanced acquisition templates are lower level reviews that do not meet IARB criteria but still require Headquarters' approval to proceed. This review and oversight process is designed to ensure that efficient and effective customer material support strategies are being employed, and to ensure that selected approaches are congruent with Agency business initiatives and mission requirements. During FY 03, five IARBs and 67 informal APECs/advance acquisition planning template reviews were conducted.

Financial:

The process used to accomplish the assessment of balancing resources and performance is DLA's Planning, Programming, Budgeting, and Execution System (PPBES). It covers the review of the current year's planned budget compared with the current year's execution, the current year's planning for next year's execution, the budget period, and a review of mid-range planning and programming. This process is a continual cycle of reviewing and balancing resource requirements and performance.

The annual review of requirements and performance begins with a data call letter from DLA Logistics Operations Business Management Directorate (J-38), J-6, Financial Operations Program/Budget Directorate (J-83), Financial Operations Financial Policy and Program Integration Office (J-87), and DSS-I to each Field Activity (FA) that covers the phases of the PPBES cycle. The responses to these data call letters are reviewed and negotiated during meetings with J-6, J-87, DSS-I, and the FAs. The results of these discussions are then submitted for review and input to the Program Budget Review Group (PBRG), consisting of senior executives from DLA HQ J Codes (including Logistics Operations, and DLA Financial Operations) and from the FAs. The final recommendations are then presented to DLA J-3, DLA Vice Director (DV) and finally to DLA Director (D) for decision, and approved funding levels are then reflected in the Program Objective Memorandum (POM), Budget, and Chief Financial Officer's (CFO) statement.

No material weaknesses were identified during this process for the reporting period.

DRMS:

DRMS HQ as well as DRMS-I conducts a quarterly R&A. The R&A tracks corporate and field performance and aids in addressing concerns or weaknesses. The DRMS BSC also assists in tracking and reviewing corporate performance. The BSC is reviewed monthly. The review looks at initiative status reports and takes account of milestone progress, assessing various management controls.

p. Quality Assurance Reviews:

DRMS:

Compliance Assistance Visits (CAV) - DRMO level.

DRMO Chiefs do three self-certifications per year of DRMOs compliance with operational and environmental regulations and requirements: Self Assessment (SA) and Self Assessment Validation (SAV) – DRMO level; DRMOs rate themselves based on various standard questions and compliance criteria, and then DRMS HQ does a secondary assessment validating the accuracy of the SAV.

DSCC:

Product Testing Unit Electronic (DSCC-VC) and Product Testing Unit Analytical (DSCC-VF) performs internal quality control checks quarterly to monitor compliance with good laboratory practices and internal operating procedures/work instructions in both Product Testing Units. Performance reviews is one element towards maintaining accreditation to International Standards Organization (ISO) requirements. The three mechanical testing facilities are accredited to International Standard 17025 through the American Association for Laboratory Accreditation (A2LA). The electronic and analytical test sites are accredited to International Standard 9002 through DSCC-VQ. Both International Standards require internal quality control checks at regular intervals to monitor compliance.

DSCC-I performed a follow-up review (34-03, May 20, 2003) of the DoD IG audit report (D-2002-090). The DoD IG audit report addressed the DSCC Qualified Product List and the Qualified Manufacturers List Program. The objectives of the review were to determine if management action has been taken. The review validated that DSCC-V had taken necessary actions to correct the traceability and Product Quality Deficiency Reports problem.

Product qualification audits to qualify new manufacturers on the DoD assigned Qualified Product List and Qualified Manufacturer List. FY 03 to date, DSCC-V engineers/technicians conducted 285 product qualification facility/line audits. These product qualification audits are conducted to add or maintain the company on the DoD Qualified Product List or Qualified Manufacturers List. The product qualification audits help DSCC assure the product performance, quality, and reliability meets customer requirements and expectations for products used on critical weapon platforms. Management Control assessments were conducted internally by DSCC-VI for all high vulnerability areas. The six objectives include Value Management's (DSCC-VE) Replenishment.

Parts Purchase or Borrow (RPPOB) Program and procedures used in accepting refunds; Product Verification's (DSCC-VP) MIPR procedures and the timeliness of their support of the Counterfeit Materials/Unauthorized Product Substitution Program; and Technical Management Unit (DSCC-VT) procedures for release of classified and restricted drawings, as well as methods used to apply rights legends and distribution statements. Adequate controls were found to be in place in all areas.

J-3:

Product Quality is a Supply Center Commodity Business Unit (CBU)/Product Center function that support the contracting, supply, and technical areas with actions to assure that (1) DLA products conform to customer requirements through the establishment of appropriate technical, contractual, and storage requirements, and (2) customers product quality problems are resolved. Within the Supply Center CBU/Product Centers, the Quality Assurance personnel at the Supply Center are responsible for the quality of their assigned items/weapon systems. The quality assurance contracting support functions are separated into two phases: pre-award and post-award of the contract. Significant processes within the pre-award phase are providing Quality Assurance Provisions (QAP) and contract clauses for incorporation in solicitations. QAPs include the contract quality requirement, inspection, test requirements and procedures, first article requirements, supplier certification requirements, and input on warranty clauses. Quality guidance is provided to contracting officers through technical and quality advice and analysis of contractors' quality history. Pre-award surveys on prospective contractors are performed or reviewed. In addition, requests by contracting officers or contractors to waive QA requirements are analyzed. During post-award contracting support, QA personnel perform or support post-award conferences with the contractor, issue Quality Assurance Letters of Instruction (QALI) to the inspection/ acceptance point, arrange or perform inspections and tests, analyze test reports, evaluate contractor requests for product deviations and waivers, perform Quality Systems Management Visits (QSMV) and Quality Systems Review (QSR), provide quality and commodity training to DCMA and other contract management organizations, and center and depot personnel, provide support to legal counsel in disputes/fraud/prosecutions, request special investigations, and collect maintain, and provide contractor and item quality history. Support to Supply/Item Managers is provided through investigation, resolution, and response to Product Quality Deficiency Reports (PQDR) and development of Storage Standards for Distribution Depots and Military Services. Support to the Technical/Engineering area is provided through development of Quality Requirements in Specifications and Technical Data. Product Verification personnel at DLA Supply Center/ Product Testing Centers determine test/inspection requirements, write test plans, arrange for tests/inspection, arrange for special inspections at the request of QA Specialists, and evaluate and maintain test/inspection results. During FY 03, meetings with all the Services and analysis of the PQDR documentation revealed that there are many instances of QA Specialists failing to properly investigate PQDRs; specifically, not taking action to preclude future item failures, and documenting reasons for failures and corrective action taken. To remedy this situation, Headquarters will implement additional policy and Quality Management Reviews, and require all personnel involved in investigating and responding to PQDRs receive additional training.

q. “Hot Line” Reports: N/A:

OSD SYSTEMIC WEAKNESSES:

DoD Financial Management Systems and Processes: N/A

Information Assurance:

Valuation of Inventories in the SAMMS (Tab B-1)

Information System Intrusion (Tab B-1):

Environmental Liability: N/A

Management of Munitions and Explosives: N/A

Personnel Security Investigations Program: N/A

Real Property Infrastructure: N/A

Service Contracts: N/A

DoD Card Program Management; Purchase Cards and Travel Card: N/A

**TITLES OF ALL UNCORRECTED AND CORRECTED MATERIAL
WEAKNESSES AS OF SEPTEMBER 30, 2003.
TAB B-1**

CATEGORY:

RESEARCH, DEVELOPMENT, TEST AND EVALUATION: N/A

MAJOR SYSTEMS ACQUISITION: N/A

PROCUREMENT: N/A

CONTRACT ADMINISTRATION:

Open first time:

DSCP: Insufficient "price reasonableness" determinations and documentation for buys made by DSCP G&I

Open previously reported FY 02:

DESC: Delinquencies in Fleet Card Payments by Military Services (MILSVC) and DoD Agencies

Open previously reported:

DSCP: Pricing of First-time Buys DSCP General and Industrial (G&I)

Open first time:

DSCC: Pricing of First-time Buys (this will be added to DSCP weakness)

Closed previously reported:

DSCP: Contract Files at DSCP (G&I)

FORCE READINESS: N/A

MANUFACTURING, MAINTENANCE, AND REPAIR: N/A

SUPPLY OPERATIONS:

Closed previously reported:

J-3: DLA Improperly Cancelled NSNs that the Air Force Coded with a Weapon System Designator Code (WSDC) as a Result of the Defense Inactive Item Program (DIIP)

Closed previously reported:

J-3: DLA DIIP has Flaws that Exclude Items for Review that Could be Detected

PROPERTY MANAGEMENT: N/A

COMMUNICATIONS AND/OR INTELLIGENCE AND/OR SECURITY:

Open first time reported FY 03:

DAASC: Information System Intrusion

Closed first time reported FY 03:

DSS: Defense Travel System (DTS)

INFORMATION TECHNOLOGY: N/A
PERSONNEL AND/OR ORGANIZATION MANAGEMENT: N/A
COMPTROLLER AND/OR RESOURCE MANAGEMENT:

Open first time FY 03:
DSS: Mass Transit Benefit Program

Open in previous years:
J-3: Valuation of Inventories in SAMMS.

J-8: Navy and DLA Retail Inventory System Interfaces.

J-8: Reduce DLA Accounts Payable and Receivable to an Acceptable Balance.

J-8: Inaccurate Reporting of PP&E Accounts on Financial Statements.

J-8: Automated Systems Used to Prepare Defense Working Capital Fund (DWCF) Financial Statements.

J-8: Internal Controls and Compliance with Laws and Regulations for the DWCF Financial Statements.

SUPPORT SERVICES: N/A
SECURITY ASSISTANCE: N/A
OTHER (PRIMARILY TRANSPORTATION): N/A

**NARRATIVES FOR THE UNCORRECTED MATERIAL
WEAKNESSES IDENTIFIED IN TAB B-1.
TAB B-2**

CATEGORY:

RESEARCH, DEVELOPMENT, TEST AND EVALUATION: N/A

MAJOR SYSTEMS ACQUISITION: N/A

PROCUREMENT: N/A

CONTRACT ADMINISTRATION:

First time reported:

DSCP: Title: **Insufficient “price reasonableness” determinations and documentation for buys made by DSCP G&I**: DSCP Identification Number: DSCP-03-1-G&I. DLA special process Procurement Management Review (PMR), June 2003 resulted in report that DSCP has a weakness with price reasonableness. This issue goes beyond the issue of first-time buys not having sufficient documentation to support pricing.

Functional Category: Contracting

Pace of Corrective Action:

Year Identified: FY 03

Original Targeted Correction Date: N/A

Targeted Correction Date in Last Year’s Report: N/A

Current Target Date: FY 04

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: DSCP G&I.

Validation Process: Physical verification will be completed by the DSCP Internal Review Office upon completion of corrective action.

Results Indicators: Internal and external audits will be conducted on a regular and recurring basis to assess contract award price reasonableness and to ensure there is sufficient file documentation justifying the determination.

Source Identifying Weakness: DLA special process PMR, June 2003.

Progress in FY 03:

DSCP G&I is currently developing plans to address the findings of the PMR. Plan is being developed to identify those procurement personnel fully qualified as subject matter experts to perform mentoring and training within each commodity business unit.

Major Planned Milestones:

Date	Milestone
October 2003	Subject matter experts will be identified to mentor procurement personnel who are associated with contracts cited for PMR deficiencies.
October 2003	Training program will be in place covering all aspects of procurement policies and internal procedures. Training will be targeted towards all buyers associated with pricing problems cited within the PMR. Each buyer will have individualized training, mentoring and oversight focused on resolving identified deficiencies and reinforcing correct practices and procedures.
October 2003	A formal contract award audit and review program will be in place for each branch within DSCP G&I. Approximately 25 awards per month per branch will be reviewed.
November 2003	Initial analysis and review of internal audit statistics to assess trends and performance of each DSCP G&I CBU.
April 2004	An external audit review conducted by the DSCP Contracting Directorate, similar in breadth to HQ DLA PMR will be undertaken to address DSCP G&I performance.
June 2004	Analysis of internal audit statistics to assess trends and performance. Compliance should consistently remain above 85 percent for each CBU with a target of 90 percent compliance for DSCP G&I overall.
September 2004	An external audit review conducted by an outside DLA organization, similar in breadth to the HQ DLA PMR will be undertaken to assess DSCP G&I performance.
October 2004	Request physical verification by DSCP Internal Review Office for closure of material weakness.

Status of Participating Functional Office/Organization:

DSCP Procurement Directorate

Assured

Point of Contact: David G. Lipshutz, General & Industrial Directorate, DSCP-IBBC,
DSN 444-4417.

Previously reported:

DESC: Title: **Delinquency in Fleet Card Payments (MILSVC and DoD Agencies):** Program Oversight: DoD Directive 7400.aa, specifically assigned the overall DoD Fleet Card Program responsibilities to The Under Secretary of Defense for Acquisition, Technology and Logistics (USD (AT&L)) and re-delegates responsibility to the Director, DLA. In turn, DLA named Ms. Deborah Van Kleef, DESC, as the point of contact for the DoD Fleet Card.

Policy, Rules and Responsibilities: DoD Directive 7400.aa, states that USD (AT&L) shall issue DoD Instructions, Publications, and one time directive-type memoranda consistent with DoD 5025.1-M as necessary to implement this directive. DESC, as action officer, will review and assist DoD/DLA in the development of implementing instructions.

Delinquencies: Since April 2002, late payments have drastically declined. The reduction is due to implementation of DESC's split billing process. With this process, DESC pays the vendor for all fuel charges incurred and directly re-bills the customer for fuel they purchased. Non-fuel purchases are directly invoiced and paid by the home station payment offices. Non-fuel purchases equate to less than 15 percent of all DoD Fleet Card charges.

Functional Category: Contract Administration

Pace of Corrective Action:

Year Identified: FY 02

Original Targeted Correction Date: FY 02

Targeted Correction Date in Last Year's Report: FY 02

Current Target Date: FY 03

Reason for Change in Date(s): Billing Issues Resolution

Component/Appropriation/Account Number: N/A

Validation Process: Internal review audit

Results Indicators: The point of contact for the Fleet Card Program, Ms. Deborah Van Kleef, is assigned to the DESC-DCB. As such, DESC-DCB will provide the necessary assistance to cardholders as applicable. Additionally, the DESC help desk will serve as the single customer assistance point, for customer problems and on-line questions. The DESC help desk will forward DoD Fleet Card problems reported directly to DESC-DCB personnel. As described above, DESC will also serve as liaison with DoD/DLA on program implementation.

Source(s) Identifying Weakness: Internal review audit performed by DESC-DI

Major Milestones in Corrective Action:

Completed Milestones:

Date:	Milestone:
April 2002	Mass mailing to all DoD Fleet account holders to inform users of the DoD Fleet Card management tools available.
April 2002	DoD Agencies split-billing initiated to reduce delinquency rates.
April 2002	Invitation provided to all DoD Fleet Card holders to attend a workshop at the DESC Worldwide Energy Conference through the Fleet Card Contractor. On-hand training completed for those in attendance.
May 2002	Scheduled Training for the two management tools to monitor card usage.
September 2002	Update DoD 4140.25M, Management of Bulk Petroleum Products, Natural Gas, and Coal. Chapter 15 was replaced with Chapter 16. Posted draft Chapter 16, DoD Fleet Credit Card to the DESC web page.
September 2002	Update the DESC web page for Fleet Card. On-going initiative.
October 2002	OSD issues DoD Directive 7400.aa on the DoD Charge Card Programs to include the DoD Fleet and AIR Card Program(s).
November 2002	Develop and distribute business rules that clearly define rules and responsibilities to all DoD Fleet Card account holders. Transactions now go through the Fuels Enterprise System (FES), and FES training is available upon request.

Planned (Ongoing) Milestones (FY 03):

Date	Milestone:
March 2003 - September 2003	Continuous modifications of the DESC web page for Fleet Card successfully continue to meet ongoing milestone.
March 2003 - September 2003	Delinquency rate/Split Billing resolution. The number of delinquencies reduces monthly. Until a zero balance is achieved, this effort is ongoing.

The current balance is approximately \$12,760. Outstanding delinquencies exist for non-fuel purchases only. The split billing has improved the speed of invoice certification, and has dramatically reduced the delinquency rates of the outstanding DoD accounts. Voyager's recent analysis, found that non-fuel transactions represent less than 15 percent of all DoD transactions. Further analysis has shown that an average of approximately \$800,000 of fuel purchase are processed through the split-billing program each week. These weekly invoices are now being paid, on average, every 29 days.

- August 2003 DESC recently began experiencing systematic problems with Voyager transactions rejecting. DESC is researching the cause and expects to resolve the Voyager reject issue no later than late August. The researching associated with the rejected transactions has caused an additional workload to manually investigate the thousands of card files identified and verify the end user and billing office, respectively.
- November 2003 Due to unforeseen billing issues that have to be resolved prior to end of FY 03 this date has been revised from June to November. Provide OSD overall procedures for DoD split billing process. Current process posted on DESC web site.
- December 2003 Due to some billing issues that have to be resolved prior to end of FY 03, this date has been revised from April to December. Revise draft DoD policy and procedures published on the FES User information web page. Implement OSD charge card reporting requirements. Formal exemption has been requested of OSD to relieve DESC of this obligation. We are currently discussing with an OSD representative whether the Fleet Card is covered by their reporting requirement.

NOTE: Web page changes will address all major milestones in Corrective Action.

Status of Participating Functional Office/Organization: N/A.

Point of Contact: Deborah Van Kleef, 703-767-9665.

Open previously reported:

DSCP: Title: **Pricing of First-Time Buys in DSCP G&I:**

DSCP Identification Number: DSCP-01-3-G&I

Title and Description of Material Weakness: Pricing of First-Time Buys in DSCP-G&I

Functional Category: Contracting

Pace of Corrective Action:

Year Identified: FY 01

Original Targeted Correction Date: FY 02

Targeted Correction Date in Last Year's Report: Third quarter FY 03

Current Target Date: FY 04

Reason for Change in Date(s): Memorandum sent by DLA citing need to have this as an ongoing material weakness for all three DSCs. An additional audit has been scheduled to ensure compliance. This audit will be based on a dedicated database search of first-time buys, ensuring a better representative sampling for each CBU.

Component/Appropriation/Account Number: DSCP G&I.

Validation Process: Physical verification will be completed by the DSCP Internal Review Office upon completion of corrective action. Anticipated certificate date is yet to be determined (see above).

Results Indicators:

This CBU has implemented changes to its contract quality improvement program that address overall contract quality and which concentrates on overcoming the lack of Price Justification on first-time buys as described in the PMR.

All first-time buys, regardless of dollar value, now require Price Reasonableness Determinations (PRD) and Level Above Contracting Officer (KO) approval.

Audits are being conducted to verify that an acceptable level quality (85 percent compliance) has been reached and is maintained at or above acceptable levels by this CBU and by every buyer individually and will continue to conduct quality reviews of their buyers.

If the CBU, as a whole, does not meet acceptable parameters, actions will be taken to assure the CBU is brought into compliance including but not limited to revoking the authority to have the

KOs sign their own work, pulling of warrants from all but a small cadre of KOs requiring reviews by level above KO for additional categories of buys.

Egregious errors or abuse of authority by individual contracting officers will be dealt with by actions including: Discussing findings with the KO, issuance of a written warning and/or temporary warrant suspension, or revocation of warrant.

Buyers who do not meet acceptable parameters will be counseled, receive remedial training, and/or have their warrants suspended or revoked.

Source Identifying Weakness: DLA special process PMR of June 11 through 18, 2001.

Progress in FY 03:

The recently formed DSCP G&I Procurement Tiger Team has identified pricing and file documentation as critical areas for review. This team has been targeted for inclusion in the DSCP G&I Management Control Plan and progress in these areas will be monitored on a periodic basis.

Completed Milestones:

Inform buyers of the new requirements for first-time buys and forward a sample checklist to help them improve their individual pre-award reviews.

Start pulling buys for audit and internal reviews.

First monthly audit completed and results forwarded to appropriate offices for review and action if necessary. Results should reflect dramatic improvement in compliance statistics, which should now be comparable to that of the best center. Take additional remedial action if indicated.

Quarterly audits completed and results forwarded to appropriate offices for review and action if necessary. Results should reflect dramatic improvement in compliance statistics, which should now be comparable to that of the best center. Take additional remedial action if indicated.

Major Planned Milestones:

Date	Milestone
Ongoing	Continue training buyers on requirements for first-time buys.
Ongoing	Continue series of internal reviews. (Note: Third audit was 85.7 percent compliance; 57.1 percent fully compliant, 33.3 percent minor findings.)

- Ongoing Conduct audit based on dedicated database search of first-time buys.
- May 2004 Conduct final audit. Determine program effectiveness. Compliance should consistently remain above 85 percent for each CBU with a target of 90 percent compliance for DSCP G&I overall.
- August 2004 Request physical verification by DSCP Internal Review Office for closure of material weakness.

Status of Participating Functional Office/Organization:

DSCP Contract Integrity Office	Assured
Office of Procurement Management (P)	Assured

Point of Contact: David G. Lipshutz, DSCP G&I, DSN 444-4417.

Newly added this year:

Reported first time:

DSCC: **Pricing of First-time Buys:** This finding resulted from a special process DLA PMR dated June 28, 2001. The finding stated that the contracting personnel at all three DSCs (management concern at DSCC) need to improve the price reasonableness determinations on first time buys and ensure that contract files are adequately documented with pricing technique(s) used to make the price reasonableness determination. DLA (J-331) memorandum, subject: Material Weakness on the Pricing of First Time Buys, dated July 14, 2003, reported that while results indicate that the corrective actions implemented to address the management concern at DSCC have had positive results, overall sufficient progress has not been made. Therefore a material weakness has been identified.

Functional Category: Contracting

Pace of Corrective Action:

Year Identified: FY 03

Original Targeted Correction Date: Fourth Quarter FY 04

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: Fourth Quarter FY 04

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: DWCF.

Validation Indicator: The DSCC Contract Oversight and Acquisition Assessment Team (DSCC-PCC) will complete a quarterly internal review of first-time buys. The DSCC Internal Review Office, DSCC-DI, will validate closure of the material weakness.

Results Indicators: The quarterly reviews will verify 85 percent compliance for properly documented price reasonableness determinations.

Source(s) Identifying Weakness: DLA Procurement Management Review, June 28, 2001.

Major Milestones:

Date	Milestone
January 15, 2004	Quarterly review of a statistically valid sample of first time buys to ensure proper documentation of price reasonableness determinations.
April 15, 2004	Continue Monitoring Compliance - Quarterly review of a statistically valid sample of first time-buys to ensure proper documentation of price reasonableness determinations.
July 1, 2004	DSCC-PCC will conduct final review to verify 85 percent compliance for properly documented price reasonableness determinations.
July 15, 2004	DSCC Internal Review Office, DSCC-DI validates closure of weakness.

Point of Contact: Lilli Hopson, DSCC-PCC, DSN 850-3682/Commercial (614) 692-3682.

CATEGORY

FORCE READINESS: N/A

MANUFACTURING, MAINTENANCE, AND REPAIR: N/A

SUPPLY OPERATIONS: N/A

PROPERTY MANAGEMENT: N/A

COMMUNICATIONS AND/OR INTELLIGENCE AND/OR SECURITY:

First year reported:

DAASC:

Title: **Information System Intrusion:** DAASC Network Team and Information Systems Support Office (ISSO) were notified of a high volume of email that was being dropped by the Norton Anti-Virus software due to a virus (worm). DAASC notified DLA CERT of the incident. They had not previously been apprised of this. Because of heightened systems security awareness, DAASC was not infected with the virus and provided the CERT with information and assistance that was helpful in prevention of the worm spreading further through DLA. The worm already infected many Government organizations.

Functional Category: Communications and/or Intelligence and/or Security

Pace of Corrective Action:

Year Identified: FY 03

Original Targeted Correction Date: FY 03

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 04

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: N/A

Validation Process: All corrective action(s) are certified by the responsible commands upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control reviews.

Results Indicators: Heightened security awareness regarding intrusion detection and the implementation of Public Key Information (PKI) enablement with sign-on access to DAASC Electronic Data Interchange (EDI) systems. The initial implementation of PKI enablement is expected by the First Quarter, FY 04.

Source(s) Identifying Weakness: Self- Inspection, July 24, 2003.

Progress to date: DAASC has taken steps to correct this weakness. These steps include heightened awareness of intrusion; initiated actions to investigate security violations and take corrective actions; performed a comprehensive review of network operations; proposal has been sent to HQ DLA to have PKI enablement with single sign-on access to the EDI.

Completed Milestones: N/A

Planned (ongoing) Milestones:

FY 03 Implement PKI enablement

FY 03 Validate implementation of the corrective milestones via on-site verification

Status of Participating Functional Office/Organization: Assured

Point of Contact: Rick Stillings, DAASC-F, at DSN 986-3745.

COMMUNICATIONS AND/OR INTELLIGENCE AND/OR SECURITY:

Reported First Time FY 03:

DSS: Defense Travel System (DTS)

INFORMATION TECHNOLOGY:

PERSONNEL AND/OR ORGANIZATION MANAGEMENT: N/A

COMPTROLLER AND/OR RESOURCE MANAGEMENT:

Reported first time FY 03:

DSS: **Mass Transit Benefit Program:** Review of program processes and procedures resulted in DSS program manager contacting DoD IG to request DoD wide audit. Draft reported providing findings regarding documentation of the program policies and procedures and subsidized parking.

Functional Category: Comptroller and/or Resource Management

Pace of Corrective Action:

Year Identified: FY 03

Original Targeted Correction Date: N/A

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 04

Reason for Change in Date: N/A

Component/ Appropriate/ Account Number: DWCF

Validation Indicator: PMR to be conducted during FY 04.

Results Indicators: Memorandum to employees issued regarding re-certification and re-registration of vehicles. Completion of successful program audit.

Source Identifying Weakness: Kathryn Elliott, DLA Mass Transit Program Manager.

Progress to Date: Memorandum prepared regarding parking and re-registration of vehicles and re-certification of program participants.

Major Milestones:

Date:

Milestone:

November 2003

Negotiate memorandum to DLA HQ McNamara Complex personnel regarding re-certification or program participants and re-registration of vehicles.

December 2003	Posting of memorandum on DSS website.
January 2004	Validation of parking decals/re-certification of participants against Department of Transportation database.
February	Program Review

Status of Participating Functional Office/Organization:

DSS: Assured

Point of Contact: Kathryn Elliott, DSS, (703) 767-7380.

Reported in previous years:

J-3: **Valuation of Inventories in the Defense Agency SAMMS**, DoD Report D-2002-009, Project No. D2000FJ-0067.006:

The values assigned to inventories in SAMMS were not always accurate or substantiated. In addition, contract folders were not or are no longer available to enable tracing of procurement awards and prices recorded in the Agency's automated material management systems back to these source documents (award folders) for a significant portion of the inventory values.

Correction of the inventory valuation weakness involves both: (1) past buys and (2) future buys.

Functional Category: Comptroller/Resource Management and Supply Operations

Pace of Corrective Action:

Year Identified: FY 01

Original Targeted Correction Date: First Quarter, FY 05

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: First Quarter, FY 05

Reason for Change in Date(s): DLA Operations Research and Resource Analysis Office (DORRA) encountered problems creating program to analyze the issue. Business Systems Modernization (BSM) priorities.

Component/Appropriation/Account Number:

Title	Appropriation(s)	FY 02	FY 03	FY 04	FY 05
Inventory					
Valuation	DWCF	\$65,618	\$56,508	\$53,138	\$45,238

Validation Indicator: DORRA and the supply centers will validate cost basis resulting from adjustments. D&T and/or DoD IG will review the validation process and results, including efforts to confirm that the buy history is supported by the source records.

Results Indicators: Proper inventory values will have been calculated and used for inventory valuation.

Source(s) Identifying Weakness: DoD IG Report D-2002-009, Project No. D2000FJ-0067.006

Progress to Date: D&T completed audit of adequacy of Agency accounting systems to support a qualified audit opinion in FY 04.

Major Milestones:

A. Milestones planned for FY 03:

Date:	Milestone:
May 03	Completed audit of adequacy of Agency accounting systems.

B. Milestones planned beyond FY 03:

Date:	Milestone:
October 2003	Revise corrective action plan and initiate with milestones consistent with findings and recommendations of the D&T audit.

Status of Participating Functional Office/Organization:

J-33	Assured
Financial Operations CFO Compliance Office (J-89)	Assured
DORRA	Assured
DSCP	Assured
DSCR	Assured
DSCC	Assured
Financial Operations Financial BSM Office (J-88)	Assured

Points of Contact:

Jerry Gilbert, J-3313, (703) 767-1350 and Jerry Brill, J-89, (703) 767-7252.

COMPTROLLER/RESOURCE MANAGEMENT

Reported in previous years:

J-8: Title: **Navy and DLA Retail System Interfaces**. A potential weakness was identified in the financial processes for implementing the National Level Inventory Initiative and specifically, the transfer of Navy Retail inventory to DLA. The risk to DLA is that the systems used by the Military Services are not compliant, data cannot be properly interfaced with DLA systems, and the value of material transferred is not properly valued.

Functional Category: Comptroller and/or Resource Management

Component: DLA

Pace of Corrective Action:

Year Identified: FY 00

Original Targeted Correction Date: Fourth Quarter, FY 01

Targeted Correction Date in Last Year's Report: Fourth Quarter, FY 05

Current Target Date: Second Quarter, FY 06

Reason for Change in Date: A significant portion of this part of the weakness is largely contingent upon BSM implementation. Target dates and milestones were established based on BSM deployment schedules. Due to the recent change in the BSM completion date, the target date has been changed from Fourth Quarter, FY 05 to Second Quarter, FY 06.

Component/Appropriation/Account Number:

97X4930 DWCF - No funding is required specifically to resolve this weakness.

Validation Indicator: Validation will be accomplished through testing of systems interfaces upon implementation of National Inventory Management Strategy (NIMS) pilots. Validation is being accomplished by the DLA Financial Policy, Systems, and Control Group (J-85), the DLA Supply Operations, Program/Budget Group (J-83), the BSM (J-88), and J-3.

Results Indicators: During early implementation of NIMS-type arrangements, DLA assumed management of 2,600 NSNs of planeside support stock for our Navy customer at naval Air Station (NAS) Lemoore as part of the National Level Inventory Management Initiative. Since that time, this strategy has been formalized under the NIMS, and pilot test sites are being identified for each Military Service. These pilot tests will use Service inventory management

systems to manage (receive and issue) DLA-owned assets at Service locations. Procedures must be established to ensure that materiel transferred to DLA is properly valued, that inventory stored at Service facilities is under proper control, and that the information passed to DLA systems is complete, accurate, and reliable. Because the information technology solution is different for each Service until the BSM Enterprise Resource Planning is fully deployed, operational business rules are being established for each NIMS pilot to address these issues. These requirements are documented in each Memorandum of Agreement and will be incorporated in detail into the Business Case, Concept of Operations (CONOP), and Business Rules for each Service NIMS pilot to ensure that DLA maintains asset and financial transaction visibility. Successful completion of the proposed remedial effort will be defined as final approval of Business Rules for each Service and final completion and testing in BSM that materiel transferred to DLA is properly valued, that inventory stored at Service facilities is under proper control, and that the information passed to DLA systems is complete, accurate, and reliable.

Source Documents: MCP Evaluation.

Progress to Date:

Working groups established for each Military Service NIMS pilot.

Established a CONOP and Business Rules for each pilot which includes extensive requirements for systems interface and support requirements.

Developed financial business rules with Army.

Developed financial business rules for Fleet and Industrial Supply Center Jacksonville Detachment Ingleside, TX rules with Navy. Secured Navy agreement with business rules
 Developed financial business rules for Oklahoma City Air Logistics Center with Air Force. Secured Air Force agreement with business rules.

Developed financial business rules with Marine Corps.

Major Milestones:

Planned FY 04:

Date:	Milestone:
September 2004	Obtain agreement of financial business rules with Army.
September 2004	Obtain agreement of financial business rules with the Marine Corps.
September 2004	Expand use of Navy financial business rules with Navy activities.
September 2004	Expand use of Air Force financial business rules with Air Force activities.

Planned Beyond FY 04:

September 2005	Expand use of Navy financial business rules with Navy activities.
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September 2005	Expand use of Air Force financial business rules with Air Force activities.
September 2005	Expand use of Army financial business rules with Army activities.
September 2005	Expand use of Marine Corps financial business rules with Marine Corps Activities.
January 2006	BSM is fully developed and takes over full inventory asset and financial management of DLA-owned inventories at Military Service retail locations, where applicable. Verification that within BSM materiel transferred to DLA is properly valued inventory stored at Service facilities is under proper control, and the information passed to DLA systems is complete, accurate, and reliable.

Status of participating Functional Office/Organization:

DLA Comptroller (J-8)	Assured
DLA Logistics Operations (J-3)	Assured

Point of Contact: Ms. Susan Fox, Office of Comptroller (J-83), 767-7296.

Identified during previous years:

J-8: Title: **Reduce DLA Accounts Receivable (A/R) and Accounts Payable (A/P) to an acceptable balance.** Achievement is predicated on current prescribed due dates, deliverables being completed, documentation being available, and pending claims being settled.

Functional Category: Comptroller/Resource Management

Component: DLA

Pace of Corrective Action:

Year Identified: FY 02

Original Targeted Correction Date: Fourth Quarter FY 03

Targeted Correction Date in Last Year's Report: Fourth Quarter FY 03

Current Target Date: Fourth Quarter FY 04

Reason for Change in Date(s): Due to the volume of data, unique situations and revised Office of Under Secretary of Defense (Comptroller) OUSD(C) guidance, the initiative is on-going and has been extended beyond FY 03 to FY 04. Extended dates will allow DLA the opportunity to incorporate changes and revised timelines into the Agency's plan of action in accordance with the revised/new FMR and OUSD(C) memorandum – Closeout of Aged A/R greater than 2 years. Although significant progress has been made in clearing delinquent receivables and reducing over-aged payables, additional time is required among DLA field activities, customers, agencies, and DFAS to determine extent of the review and impact to operations. There will be no cost and/or operational impact as a result of the delay in correcting.

Component/Appropriation/Account Number: General Funds, and DWCF, 97X4930. No funding is required specifically to resolve this weakness.

Validation Indicator: J-85 will lead the Agency's effort in a complete review of all balances greater than 90 days old. Using February 28, 2002, data as a baseline, J-85 will determine and standardize the approach the field activity Financial Service Offices (FSO) and DFAS will use in the validation, collection, payment, update write-off, and close-out of over-aged balances. An independent audit agency, D&T, will validate the developed process.

Results Indicators: Monitor and track A/R and A/P status through monthly review and analysis to ensure A/R and A/P over-aged balances are reduced to a current status.

Source(s) Document: J-8 Review

D&T Assessment Report for FY 01

Progress to Date:

Initiated action with DFAS Columbus to identify DLA customers with high dollar over-aged A/R and A/P balances.

Stratified A/R and A/P data by DLA activity to determine extent of review required.

Issued standard guidance to FSOs on review process and coordinated effort with DFAS Columbus and Charleston.

Reviewed A/R and A/P for supportability, validity, and accuracy.

Coordinated effort with procurement or fund holder to modify, cancel, or amend obligation document to the amount actually owed to the beneficiary.

Collected, wrote-off, or closed-out supportable and valid A/R over 2 years old as of February 28, 2002, except those transferred to Debt Collection, OUSD(C), or the Department of Justice.

Established allowance accounts and evaluated annual estimate.

Major Milestones:

A. Milestones Planned for FY 04:

Date: Milestone:

September 2004	Initiate action with DFAS to identify A/R greater than 2 years old using June 2003 data as a baseline.
September 2004	Revise A/R guidance to incorporate policy changes related to A/R greater than 2 years old.
September 2004	Stratify A/R and A/P data by DLA activity to determine status.
September 2004	Coordinate effort between DLA and DFAS to determine extent of additional review and impact to operations.
September 2004	Modify A/R milestone plan to collect, correct, write-off, or closeout supportable and un-supportable A/R greater than 2 years, except receivables in litigation or in the process of being collected.
September 2004	Request monthly status from DFAS to determine whether the A/R is in Debt Management, in dispute, or pending resolution.
September 2004	Coordinate, monitor, and resolve new receivables established as a result of DFAS-Columbus implementation of the Debt Management System.
September 2004	Request guidance form OUSD(C) to close-out A/R due from other Federal agencies greater than 2 years old requiring resolution.

- September 2004 Continue research on problem disbursements and collections to match against corresponding A/R and A/P.
- September 2004 Establish plan to liquidate valid overaged A/P (each DLA activity).
- September 2004 Monitor and track A/R and A/P status through monthly review and analysis.
- September 2004 Coordinate and resolve status of pending A/R greater than 2 years with DFAS, Debt Management, OUSD(C), Department of Treasury, and Department of Justice.

B. Milestones Planned Beyond FY 04: None

Status of Participating Functional Office/Organization:

DLA Comptroller	Assured
DLA Field Activities	Assured

Point of Contact: Estefanie Duncan, J-85, (703) 767-7236, DSN 427-7236.

Reported in Previous Year's ASA:

J-8: Title: **Inaccurate Reporting of PP&E Accounts on the Financial Statements:** Inaccurate Reporting of PP&E Accounts on the Financial Statements of the DLA Business Activity Groups, of the DWCF for FY 99 (D-2000-133). The DoD IG found in their review of DLA's financial statements that significant un-reconciled differences between the amounts of PP&E reported in its financial statements, the Defense Property Accountability System (DPAS), and the Defense Business Management System (DBMS). This finding supersedes the audit finding first reported in FY 93. It is an ongoing audit finding where progress is being made and subsequent audit findings will reflect the remaining outstanding issues.

Functional Category: Comptroller/Resource Management

Component: DLA

Pace of Corrective Action:

Year Identified: FY 99

Original Targeted Correction Date: Fourth Quarter, FY 00

Targeted Correction Date in Last Year's Report: Fourth Quarter, FY 03

Current Target Date: Fourth Quarter, FY 06

Reason for Change in Date(s): Agency is in the process of incorporating the functionality of property accountability into the BSM. There will be no cost and/or operational impact as a result of the delay in correcting.

Component/Appropriation/Account Number: DWCF, 97X4930.

PP&E is part of an on-going business process therefore it is not a special funding item.

Validation Indicator: Validation is being accomplished by the J-8 and DSS. Validation is done through review and oversight to ensure that the PP&E owning activities update DPAS to maintain and reconcile their records.

Results Indicators: DPAS property books will reflect all accountable PP&E and reconcile with the accounting records.

Source(s) Document: DoD IG Report Number D-2000-133, May 20, 2000.
D&T Assessment Report for FY 01

Progress to Date:

Identified records for Headquarters elements for input to DPAS or transfer to field activities.
 Provided guidance.
 Completed analysis on a monthly basis.

Major Milestones:

A. Milestones Planned for FY 04:

Date:	Milestone:
Monthly	Ensure accuracy between DPAS and DBMS.
June 2004	Incorporate PP&E Handbook guidance into the One Book.
September 2004	Continue efforts to reduce discrepancies between DPAS and DBMS by reconciling and monitoring variances on a monthly basis.
September 2004	Initial transfer of property from DPAS to BSM to have full operational capability for PP&E accountable and financial records.

B. Milestones Planned Beyond FY 04:

March 2006	Continue to monitor non-BSM property currently still in DPAS.
March 2006	Complete transfer of property from DPAS to BSM.
September 2006	Final corrective action verified by J-308 internal review.

Status of Participating Functional Office/Organization:

DLA Comptroller	Assured
DLA Field Activities	Assured

Point of Contact: Kimberly Naccarato, J-85, (703) 767-7207, DSN 427-7207.

Identified During Prior Periods:

J-8: Title: **Automated Systems Used to Prepare the DLA Working Capital Fund Financial Statements**: Report No. 00-027, October 1999. Automated Systems Used to Prepare the DLA Working Capital Fund Financial Statements, Report No. 00-027, October 1999. DoD IG found in their review that insufficient information was available to adequately describe the current system environment, and DLA did not adequately reflect the effect that the system and related control deficiencies had on DLA's ability to prepare reliable financial statements.

Functional Category: Comptroller and/or Resource Management

Component: DLA

Pace of Corrective Action: Corrective action will be phased in across DLA's businesses. Two projects will replace mission critical integrated logistics financial legacy systems with an Enterprise Resource Planning solution compliant with the Federal Financial Management Improvement Act (FFMIA) for the Supply Non-Energy/Energy businesses. Additional initiatives are evaluating contemporary financial systems for FFMIA compliance and will assess the expansion of the initial projects into other business areas.

The BSM initiative is for the Supply Non-Energy business. Full implementation of BSM is planned for FY 06. The first release (1.0) occurred in July 2002. The next phases are planned as noted in the milestone section below.

The FAS initiative is for Supply Energy business. Full implementation of FAS is planned for FY 07. The first release occurred in October 2002 for West Coast Bulk Petroleum and was subsequently rolled out across CONUS. The next release for Post, Camps & Stations (PC&S) is scheduled for October 2003. Other phases are noted in the milestone section below.

Other DLA businesses, such as DDC and DRMS, will become part of a BSM like initiative at a later date. J-8 is working with J-6 to develop the financial portion of the DLA enterprise architecture, which will address DLA's overarching plan to modernize its business systems. Until that time, J-88 will continue to address specific systems discrepancies as appropriate.

Year Identified: FY 00

Original Targeted Correction Date: Fourth Quarter, FY 03

Targeted Correction Date in Last Year's Report: Fourth Quarter, FY 05

Current Target Date:

Fourth Quarter, FY 06 for Supply Non-Energy BSM (SAMMS, Defense Integrated Subsistence Management System, and DBMS). Fourth Quarter, FY 07 for Supply Energy FAS. To be determined for other legacy systems and businesses.

Reason for Change in Date(s): For BSM, Full Operating Capability was delayed due to a change in the procurement solution. Concept Demonstration determined that the former procurement solution - PD2 - would not work for our business. A new procurement solution is being developed. For FAS, this is the first time it is being included in the corrective actions. There will be no cost and/or operational impact as a result of the delay in correcting.

Component/Appropriation/Account Number: DWCF, 97X4930

Title	Appropriation(s)	FY 03	FY 04	FY 05	FY 06	FY 07	Total FY 03-09
BSM	97X49	\$218.0M	\$145.9M	\$69.7M	\$23.4M	\$24.1M	\$530.1M
FAS	97X4930	\$43.1M	\$31.0M	\$31.3M	\$29.8M	\$25.2M	\$214.1M

Validation Indicator: Validation will be accomplished through oversight committees, independent audits, and auditable financial statements.

Results Indicators: Compliance with Public Law 104-208, FFMIA of 1996 and compliance with OMB Circular A-127, Financial Management Systems.

Source(s) Document: DoD IG Report Number 00-027, October 28, 1999.
D&T Assessment Report, for the year ended September 30, 2001.

Progress to Date:

The BSM initiative has concentrated on stabilization of finance issues related to Concept Demonstration and in the development of the follow-on phases of BSM. Releases 1.1 and 1.2 are in development and testing. Release 2.0, which adds significant financial functionality, has been blueprinted and it is beginning design/development. Release 1 has been certified as FFMIA compliant and the applicable requirements identified for release 2.0. The FAS initiative has deployed Bulk Petroleum for CONUS and is testing the PC&S functionality for the next release. Both releases have been tested for FFMIA compliance and are awaiting certification.

Major Milestones: Phased approach to replacing critical DLA financial feeder systems, under DoD Financial and Feeder System Compliance Process initiatives.

A. Planned Milestones (FY 04)

Date: Milestone:

October 2003 FAS PC&S Release – This will expand FAS to incorporate the majority of the fuels business transactions.

- November 2003 BSM Release 1.1 - an expansion of Concept Demonstration to include Battledress Uniforms (within DLA's Clothing and Textiles commodity) and the remainder of the Subsistence commodity which will enable the retirement of Defense Integrated Management System (DIMS).
- March 2004 BSM Release 1.2 – an expansion of Concept Demonstration to include more Clothing and Textile items such as tents, accessories, flags, and insignia.
- July 2004 BSM Release 2.0 – a broad expansion to include all basic material management functionality as required for FFMIA compliancy.

B. Planned Milestones (Beyond FY 04)

Date: Milestone:

- December 2004 FAS Into-Plane Release – expands FAS capability to the flight-line.
- January 2005 BSM Release 2.1 – will bring in high priority tools needed to manage the business.
- April 2005 FAS Bunkers Release
- July 2005 BSM Release 2.2 – will bring in low priority tools needed to manage the business (none are related to financial processes).
- March 2006 BSM Full Operational Capability.
- March 2006 FAS OCONUS Release.
- December 2006 FAS Full Operational Capability.

Status of Participating Functional Office/Organization

CFO Compliance J-89 Assured

Point of Contact: Simone Reba, J-88, (703) 767-7301.

Identified During Prior Periods:

J-8: Title: **Internal Controls and Compliance with Laws and Regulations for the DLA Working Capital Fund Financial Statements for FY 99:** DoD IG reported that there were internal control weaknesses in established DLA and DFAS processes, controls, and systems used to prepare the DLA financial statements.

Functional Category: Comptroller/Resource Management

Pace of Corrective Action:

Year Identified: First Quarter FY 00

Original Targeted Correction Date: First Quarter FY 03

Targeted Correction Date in Last Report: Fourth Quarter FY 05

Current Target Date: Fourth Quarter FY 07

Reason for Change in Date(s): The previous target date was self-imposed. Currently, DLA has a strategic goal to pass the scrutiny of a financial audit by FY 07. The current target date is consistent with that Agency goal.

Component/Appropriation/Account Number: DWCF, 97X4930.

Title Appropriation(s)	FY 02	FY 03	FY 04	FY 05	FY 06	Cost to Complete	Total
DWCF 97X49	\$6.3M	\$7.0M	\$7.0M	\$7.0M	\$7.0M	\$14.0M	\$48.3M

Validation Indicator: Both DFAS and DLA have on-going actions to improve the accuracy and reliability of DLA financial management information. DLA has also implemented a BSM effort to improve its automated systems, controls, and related business processes. As a validation process for these actions, the DLA Audit Committee will direct the scope of our contract with a private sector Certified Public Accountant (CPA) firm to independently audit the key business processes. J-89 has developed a CFO Compliance Plan to track the reported deficiencies identified by the CPA firm, track actual progress against planned milestones, and report back to the audit committee on progress.

Results Indicators: Adequate results will be demonstrated by an unqualified audit opinion. Progress towards improved financial data will be tracked quarterly as a Balanced Scorecard performance metric.

Source(s) Document: Government Accounting Office (GAO) and DoD IG have conducted multiple reviews related to financial statement issues. We have engaged the audit firm of D&T to perform external audits.

Progress to Date:

DLA Chief Financial Officer's (CFO) Compliance Process One Book Chapter was approved and posted on the DLA website.

Implementation of the CFO Compliance Process One Book Chapter.

D&T FY 02 audit assessment report for nine focus areas were distributed.

DLA entered in to an open competitive solicitation for an external audit firm to perform an auditability assessment and audit through 2005.

Major Milestones:

Date:	Milestone:
October 2003	D&T will provide result of the summary assessment of the ten focus areas and overall DLA's financial stewardship.
October 2003	Distribution of the Financial Statement Compilation Process and Status of Prior Year Auditability Assessment report.
November 2003	Award of the external audit firm contract.
December 2003	CFO compliance plan will be updated to address outstanding problems identified in the D&T assessment of the business areas.

Planned beyond FY 04:

Date:	Milestone:
October 2004	Results of a CPA audit firm auditability assessment.
November 2004	Exercise option of the external audit firm contract.
December 2004	CFO compliance plan will be updated to address outstanding problems identified in a CPA audit firm auditability assessment.
October 2005	Results of a CPA audit firm auditability assessment.
December 2005	CFO compliance plan will be updated to address outstanding problems identified in a CPA audit firm auditability assessment.

Note: Process of assessment and correction will continue indefinitely.

Status of Participating Functional Office/Organization:

DLA Financial Operations (J-8)	Assured
DLA Logistics Operations (J-3)	Assured
DLA Information Operations (J-6)	Assured

DLA Support Services (DSS)

Assured

Point of Contact: Sheila Deal, J-89, (703) 767-6285, DSN 427-6285, sheila.deal@dla.mil.

CATEGORY

SUPPORT SERVICES: N/A

SECURITY ASSISTANCE: N/A

OTHER (PRIMARILY TRANSPORTATION): N/A

**NARRATIVES FOR ALL MATERIAL WEAKNESSES CORRECTED DURING FY 03
TAB B-3**

CATEGORY:

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION: N/A

MAJOR SYSTEMS ACQUISITION: N/A

PROCUREMENT: N/A

CONTRACT ADMINISTRATION:

Reported in previous years:

DSCP: Title: **Contract File Management and Retrieval in DSCP G&I. Identification Number DSCP-01-2-G&I**

Functional Category: Contracting

Pace of Corrective Action:

Year Identified: FY 01

Original Targeted Correction Date: FY 02

Targeted Correction Date in Last Year's Report: Third quarter FY 03

Current Target Date: N/A

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: DSCP G&I.

Validation Process: The June 2003 PMR Team recommended that the management concern in this area be closed.

Results Indicators: Contract files will be released from the buyers and scanned into the on-line system in a timely manner. Files will be available for retrieval through an automated system.

Source Identifying Weakness: DLA special process PMR of June 11-18, 2001.

Progress in FY 03:

Completed Milestones:

PMR report signed and forwarded to DSCP identifying material weakness in contract file

management.

Visit DSCC to observe their system and meet with system managers.

Determine participants for pilot test cadre.

Obtain Direct Access Storage Device Space.
Acquire desktop scanners for prototype.

Relocate bulk scanners.

Obtain code from DSCC (Oracle, Visual Basic, C, COBOL).

Obtain database structure from DSCC.

Attempted to convert DSCC system for use at DSCP (proved impracticable).

Decision to develop and deploy DSCP Electronic Contract File (ECF) system in lieu of DSCC system.

Decision to utilize ECF as the file management system.

Train DSCP G&I personnel on ECF file management system.

Move to production environment.

Achieve full compliance with policy.

Verification by DSCP G&I that appropriate actions are taken (i.e., scanning, filing and disposal).

June 2003 PMR Team recommended that the management concern in this area be closed.

Major Planned Milestones:

Date	Milestone
Ongoing	Provide system administration and database support.
Ongoing	Monitor functional processes and policy.
January 2004	Six-month random audit and assurance review by the DSCP Internal Review Office to verify the weakness has been fully resolved.

Status of Participating Functional Office/Organization:

DSCP G&I Business Office	Assured
Office of Procurement Management	Assured
Directorate of Operations	Assured

Point of Contact: David G. Lipshutz, DSCP G&I, DSN 444-4417.

FORCE READINESS: N/A

MANUFACTURING, MAINTENANCE, AND REPAIR: N/A

SUPPLY OPERATIONS:

Closed previously reported:

J-3

Title: **DLA Improperly Cancelled NSNs that the Air Force Coded with a Weapon System Designator Code (WSDC) as a Result of the Defense Inactive Item Program (DIIP):** DLA failed to follow procedures to coordinate with the Military Service weapon system program office cancellations of WSDC NSNs in accordance with DLA Manual (DLAM) 4140.2 and DLAM 4140.3. Although no response or delete action is received from the Military Services during DIIP, DLA procedures require additional coordination to ensure the NSN is no longer required.

Accomplishment: Corrected SAMMS processing at DSCC that failed to alert Inventory Managers that weapon system coded NSNs were proposed for cancellation from DIIP. The DoD IG verified this correction.

Functional Category: Supply Operations

Pace of Corrective Action:

Year Identified: FY 02

Original Targeted Correction Date: FY 03

Targeted Correction Date in Last Year's Report: FY 03

Current Target Date: N/A

Reason for Change in Date(s): N/A

Component/Appropriate/Account Number: DWCF \$175,000.

Validation Process: Validation will be accomplished by an Internal Review Audit

Results Indicators: The annual DIIP will prevent NSNs with WSDC from being cancelled without coordinating with the Military Services weapon program office.

Source(s) Identifying Weakness: DoD IG

Major Milestones in Corrective Action:

A. Completed Milestones:

Date: Milestones:

B-3-5

October 2002 Correct program criteria at DSCC to send the Item Manager WSDC NSNs proposed for cancellation.

October 2002 Test programming changes and export to other DSCs.

November 2002 Test program changes at DSCR and DSCP.

December 2002 Internal Review validation.

Status of Participating Functional Office/Organization:

J-3 Assured
DSCs Assured

Point of Contact: Brain Schutsky/Logistics Operations Readiness and Customer Support
(J-3341)/(703) 767-2657.

Closed previously Reported:

J-3: Title: **DLA DIIP Has Flaws that Exclude Items for Review that Could be Deleted:**

DLA was not taking timely actions to delete obsolete NSNs from its supply system. The DoD IG recommends that NSNs WSDC not be excluded from the DIIP process because many of those items are obsolete; furthermore, the items that have been transferred should not be excluded if they have met the basic criteria of having been in the supply system for 7 years. DLA has partially concurred with the second part for logistics transfers within DLA, but DLA has promised the Military Services a continued level of support for 2 years following a logistics transfer.

Accomplishment: The verified 01 DIIP included NSNs for review that was coded to weapon systems. Revised the DIIP policy to include NSNs that are transferred among the supply centers that meet criteria.

Functional Category: Supply Operations

Pace of Corrective Action:

Year Identified: FY 01

Original Targeted Correction Date: FY 02

Targeted Correction Date in Last Year's Report: FY 03

Current Target Date: N/A

Reason for Change in Date(s): N/A

Component/Appropriate/Account Number: DWCF \$175,000.

Validation Process: Internal Audit Review will perform the validation.

Results Indicators: The annual DIIP will include NSNs with WSDC and NSNs that have been transferred between DLA Supply Centers within the past 2 years.

Source(s) Identifying Weakness: DoD IG

Major Milestones in Corrective Action:

A. Completed Milestones:

Date: Milestones:
October 2002 Internal Review validation.

Status of Participating Functional Office/Organization:

J-3 Assured

DLIS Assured

Point of Contact: Brain Schutsky/J-3341/(703) 767-2657.

PROPERTY MANAGEMENT: N/A

COMMUNICATIONS AND/OR INTELLIGENCE AND/OR SECURITY:

Reported first time FY 03:

DSS: Defense Travel System (DTS) Sessions and DTS Homepage: DSS identified that DLA users of the DTS encountered two types of errors, which were reported to DoD DTS Program Management Office (PMO) and the DLA CERT. Both errors occurred within the (non-DLA) DTS application environment. The first involved an authenticated user logging into another user's DTS session. This occurred because of the lack of global uniquely assigned session numbers within DTS. This error, since corrected, allowed users unauthorized access to sensitive information. The second error involved authenticated users being presented the wrong personalized homepage, but not being able to access others' sensitive information.

Both errors have been corrected in DTS; however, DLA (and other Service and agency) users remain subject to risk associated with other vulnerabilities that may remain latent within DTS.

Pace of Corrective Action: Completed

Year Identified: FY 03

Original Targeted Correction Date: N/A

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: Fourth Quarter FY 03

Reason for Change in Date (s): N/A

Component/Appropriation/Account Number: N/A

Validation Process: DoD DTS PMO had an internal and external testers test DTS after the fix was put into place to ensure the problems could not be duplicated.

Results Indicators: This is a problem that is beyond the scope of DLA to correct. It was corrected at OSD level.

Source Identifying Weakness: DLA Headquarters DTS Help Desk

Progress in FY 03: Action Completed

Major Planned Milestones:

Date	Milestone
September 2003	Fix was put into place the last week of August 2003 and reported to DLA on September 4, 2003.

Status of Participating Functional Office/Organization:

DSS: Assured

Point of Contact: Tanya L. Lee, DSS-B, DSN: 427-7694.

INFORMATION TECHNOLOGY: N/A

PERSONNEL AND/OR ORGANIZATION MANAGEMENT: N/A

COMPTROLLER AND/OR RESOURCE MANAGEMENT:

SUPPORT SERVICES: N/A

SECURITY ASSISTANCE: N/A

OTHER (PRIMARILY TRANSPORTATION): N/A

MCP AND RELATED ACCOMPLISHMENTS
TAB B-4

FINANCIAL LIABILITY INVESTIGATION OF PROPERTY LOSS (FLIPL) PROGRAM

Description of the Issue: The FLIPL Program at DDC and its depots was not being enforced.

Accomplishments: During FY 03, DDC J-8 developed and distributed a handbook for use by Financial Liability Officers (FLO), the investigators. The handbook is an easy-to-understand question and answer format giving guidance and immediate answers to common questions.

A formal training module for potential FLOs is being developed for broadcast to all sites, to create a pool of trained personnel to perform FLIPL investigations and estimated completion date of module training is the First Quarter, FY 04. DDC J-8 developed and distributed a Standard Operating Procedure to enable the sites to continue with FLIPL processing even when the depot FLIPL Coordinator is away from work.

FFMIA

Description of the Issue: It was determined within DDC that a review of financial or feeder systems pertaining to distribution operations were necessary in order to ascertain compliance with the FFMIA of 1996.

Accomplishments: A Program Manager (PM) has been appointed to complete the assessment process and conduct analysis of the DFAS Guide as it pertains to financial or feeder systems. The PM will follow through with testing the system compliance and design and implement any necessary system changes.

DDC systems currently undergoing FFMIA review are Distribution Standard System and Enhanced Distribution Standard System. Checklists have been analyzed and for Enhanced Distribution Standard System a statement of work for an Independent Validation and Verification contractor was initiated to validate the checklist review and identify deficiencies. The anticipated timeframe is 4 months from contract award.

FORWARD STOCKING INITIATIVES

Description of the Issue: During FY 03, DDC continued pushing wholesale stocks forward into OCONUS theaters in response to our customers' desire for reduced Customer Wait Time. In prior years, we experienced success doing this at Germersheim, Germany, and Yokosuka, Japan.

Accomplishments: This year, we began distribution operations at NAS Sigonella, and we established a platform in Bahrain for direct distribution of Class IV Barrier materiel to the warfighters in Operation IRAQI FREEDOM.

We are also developing plans to add wholesale stockage points in Korea and Guam and looking for a permanent solution for the Central Command theater.

CONFIGURED LOADS

Description of the Issue: DDC's participation in the Army's Configured Loads (CL) program during FY 03 was quite significant, especially at the DDJC. The first of six Stryker Brigade Combat Teams to be fielded conducted their Certification Exercise in May 2003.

Accomplishments: DDC participated in the Combined Army Support Command/Army Materiel Command hosted CL Rock Drill at Fort Lee, VA, which served to provide an opportunity to review, refine, and synchronize the implementation of the CL concept. Efforts are on going to further define and solidify DLA's role in supporting this important logistics transformation program.

A-76 COMPETITIONS CONTINUE

Description of the Issue: During FY 03, the A-76 competition of the distribution services at Defense Distribution Depot San Diego, CA, (DDDC) was concluded.

Accomplishments: Performance of distribution services at DDDC was awarded to Labat Anderson, with that firm assuming operations in March 2003. Solicitations recently closed for Defense Distribution Depot Tobyhanna, PA, (DDTP) in June 2003 and Defense Distribution Depot Puget Sound, WA, (DDPW), in August 2003. Competitions are currently underway at Defense Distribution Depots in Corpus Christi, TX, (DDCT); Anniston, AL, (DDAA); Oklahoma City, OK, (DDOO); Red River, TX, (DDRT); and Norfolk, VA, (DDNV); with performance decisions occurring in FY 04 and FY 05.

NLC FOR STORAGE

Description of Issue: DDC implemented NLC for storage in FY 03.

Accomplishments: Customers are now billed only for the amount of cubic feet of materiel stored for them within the categories of covered, open and specialized space. The NLC storage implementation supports DDC goal to provide customers with greater visibility of their distribution costs.

DEVELOPMENT AND IMPLEMENTATION OF DISTRIBUTION PLANNING AND MANAGEMENT SYSTEM (DPMS)

Description of Issues: Currently, there is a lack of integration within the supply chain. New sources of supply are creating additional pipelines within the supply chain that lack visibility and create challenges for DLA and its customers for in-transit visibility, time definite delivery, and the ability to plan receiving and maintenance operations. In addition, much of the freight moving through the supply chain is not under control of one organizational unit. There is no coordinated strategy for movement, resulting in many discrete flows of product, which is costly in terms of transportation labor and inventory.

Accomplishments: The program received Milestone B Decision Authority from the HQ PEO at the last IPR held in February 2003.

The Functional Requirements Document was signed by Brigadier General Gainey and Major General Proctor October 2002.

The Source Selection Evaluation Board has completed the technical evaluations of the External Service Provider Request for Quote. The Distribution Planning and Management System (DPMS) program manager and DSCP Contracting Officer are scheduled to brief the Source Selection Authority (SSA) later this month.

On August 8, 2003, an award of Systems Integrator Contract was given to Bearing Point.

ROLLOUT OF THE DPMS

Description of Issues: During the past year, implementation of the first phase of DPMS has been extended to 16 vendors, with 18 more considering it for the near future.

Accomplishments: DPMS is a web-based enterprise wide tool that will revolutionize DoD distribution by integrating shipments into DTS and optimizing their delivery, from vendors' docks as well as depot warehouses through Containerization & Consolidation Point and to the customers.

When it is fully fielded, it will provide an enterprise view of shipments across DDC's 22 worldwide distribution centers and the opportunity to optimize their delivery, full in-transit visibility, documented carrier performance data, standardized bar coded shipping documents, and advanced delivery notification. Also included will be the capability to optimize reverse logistics for items returned by users.

INTERACTIVE PERFORMANCE ORIENTED PACKAGING (POP) TRAINING

Description of Issue: POP is the DoD Program for packaging designed to transport hazardous material.

Accomplishments: DDC POP team offers comprehensive training on the use of the POP program. A new initiative is the use of Interactive Video Tele-Training over the satellite system. Classes are broadcast from the DLA Training Center Distance Learning Center to all DoD entities and carried on the Government Education and Training Network.

MAP SUPPORT OFFICE DISTRIBUTION SYSTEM (MSODS) IMPLEMENTED

Description of Issue: The Defense Distribution Mapping Activity (DDMA) has partnered with the Defense Systems Integration Office (DSIO) to develop and deploy the MSODS.

Accomplishments: This is a web-base environment, which can be accessed globally with data centrally managed at DDMA Richmond, VA, Headquarters. The new system accepts standard requisitions, sends out shipment status, increases inventory accuracy, and automates the process, thereby saving time and money.

J-9 RESERVE FORCE

Description of Issue: The Joint Reserve Forces has instituted and updated a stand-alone MCP.

Accomplishments: Practices have been instituted, and in some cases, improved during FY 03 to ensure proper accountability of human capital management, financial management, accountability of government credit cards, government purchase card, and government issued equipment.

DNSC CONTRACTS

Description of Issue: As part of the Risk Assessment and Internal Management Control Review, the following was accomplished as a result of (a) random quarterly reviews of sales and acquisitions files and (b) regulatory changes:

Accomplishments:

Standardized template for the negotiated sales format.

Standardized the “starting point” for payment terms for all sales.

Streamlined sales programs for tantalum/columbium materials by utilizing the Basic Ordering Agreement (BOA) to maximize revenues by capturing real time market opportunities.

Developed and launched the SSA sales format for tungsten ores and concentrates.

Conducted industry meetings to educate customer base on the use of the BOA for the tantalum materials and the SSA for tungsten ores and concentrates.

Implemented on-line interactive quoting for all BOAs and the SSA.

Posted BOA sales solicitations and amendments to the DNSC website.

Enhanced financial responsibility review of all sales contractors to ensure that these firms possess adequate liquidity to satisfactorily pay for and lift the materials.

Developed a presentation portfolio to use when meeting with potential customers.

Expanded outreach opportunities to attempt to capture a broader customer base for all commodities.

Determined appropriate documentation and standardized the presentation of the sales contracts folders.

DNOSC-O ESTABLISHED AN ENVIRONMENTAL, SAFETY AND OCCUPATIONAL HEALTH MANAGEMENT SYSTEM

DNOSC-O has established an Environmental, Safety, and Occupational Health Management System that conforms to the international standard, ISO 14001 and the Occupational Health and Safety Assessment Series (OHSAS) 18001. DNOSC will be the first DLA activity to have a system in place and is among the first in the DoD. This system is expected to improve operational efficiencies and proactively manage environmental, safety, and occupational health programs.

Accomplishments: DNOSC-O has implemented this program at all depot locations.

INFORMATION TECHNOLOGY PROGRAM

Description of the Issue: DLA needed a secured facility with System Administration and Systems Operations expertise to house the BSM. DAASC met and exceeded all of the BSM Development/Production Data Center site evaluation criteria. DAASC has experience working with DLA as a host for other DLA systems and had both the management structure and the personnel to manage and maintain the BSM Development/Production Data Center. DAASC continues to provide superior service as the BSM Production Site.

Accomplishments:

DAASC performed all data feeds at BSM request to replicate the customer.

DAASC monitored all input and output between BSM test team and Distribution Standard System and vice versa.

DAASC provided status back to the BSM test team on all data feeds and all data processed regarding BSM testing.

DAASC provided Logistics assistance to the BSM test team.

DAASC has documentation on all testing.

BALANCED SCORECARD INITIATIVE

Description of the Issue: DLA J-67 had a requirement to develop a Balanced Scorecard (BSC) for the eBusiness Lead Center. DAASC, as part of the DLA J-67, participated in the E-Business Lead Center BSC initiative in the formative stages and in the process of collecting and formalizing the metrics for the DLA BSC.

Accomplishments: DAASC, as part of the DLA J-67, participated in the E-Business Lead Center BSC Executive Steering Group.

DAASC was essential in developing the C3 and the C3A Customer Quadrant measures and Support Agreement Template for the Customer Service Quadrant.

NETWORK AND INFRASTRUCTURE SECURITY

Description of the Issue: DAASC detected an incident of attempted network intrusion.

Accomplishments: DAASC Network Team and ISSO were notified of a high volume of email that was being dropped by the Norton Anti-Virus software due to a virus (worm). DAASC notified DLA CERT of the incident. They had not previously been apprised of this. Because of heightened systems security awareness, DAASC was not infected with the virus and provided the CERT with information and assistance that was helpful in prevention of the worm spreading further through DLA. The worm already infected many Government organizations.

OPERATIONAL PERFORMANCE MANAGEMENT

Description of the issue: DRMS operational performance was found to be in a more reactive position than one that is proactive in its dealings with overall operations. Limited analysis and less than real-time data put DRMS in a poor position for making business decisions for future advancements of the organization.

Accomplishments: DRMS analysts have improved the quality and depth of information gathered for analysis which has positively influenced organizational and operational decisions. DRMS has laid the groundwork for procuring a Performance Management tool/solution that will create the means for automating DRMS Performance Management, allowing for the access, analysis, and display of real-time data.

SAFETY AND HEALTH

Description of the issue: Mishap rates, lost workday's mishap frequency rates and compliance inspections are utilized to assess the state of the Safety and Occupational Health Program. Although the lost time injury frequency rate has shown a decline in the past few years, a zero rate has yet to be achieved and the FY 03 rate may very well exceed FY 04.

Accomplishments: To strengthen the program for the remainder of FY 03 and to continue into FY 04 a number of initiatives are either planned or are underway to include the following: Establishment of a mail group for DRMO and Zone collateral duty Safety and Health monitors.

Introduction of a Safety and Occupational Health Bulletin to disseminate updated and special interest Safety and Occupational Health information.

Special emphasis program in identifying alternative equipment options for individuals whose duties require them to work in an elevated position.

REAL PROPERTY

Description of the Issue: Support Services has a Real Property (RP) Clerk assigned to oversee DSCR's Real Property Inventory (RPI) within the Integrated Facilities System. The Program RP clerk ensures that every facility in the installation RPI is verified for accuracy in accordance with AR 405-45.

Key items verified included: (1) correct Design Use Category Code; (2) accurate year built and/or acquired for each facility; (3) accurate area or capacity for each facility per Department of the Army Pamphlet 415-28; (4) identification of historical facilities (obtained from the DSCR Environmental Office); and (5) identification of inactive, closed, or demolished RP.

Accomplishments: New facilities and capital improvement to existing facilities are posted into the RPI in a timely manner. The DD Form 1354 is the key to recording new construction of facilities, as well as capital improvement/decreases to existing facilities. The following controls are applied: 1) project engineers/managers prepare the DoD (DD) Form 1354 for new construction and capital improvements and submit to the RP clerk; and 2) the RP clerk reviews the DD Form 1354 for accuracy and coordinates any corrections with the project engineers/manager prior to inputting data into the RPI.

PERFORMANCE BASED AGREEMENTS (PBA)

Description of the Issue: DLA determined that PBAs are a necessary tool to fully and effectively implement Customer Relationship Management. PBAs support the DLA strategy to focus, manage, and measure logistics support by customer segments.

Accomplishments: DLA has made significant achievement in FY 03 in implementing the PBA initiative, which is an integral component of the Customer Relationship Management initiative. PBAs are formally negotiated agreements between DLA and its customers and set priorities to meet customer needs, performance measures, and targets. The initiative seeks to establish a set of common expectations between DLA and its customers to encourage collaboration. In addition to four agreements put in place in FY 02 to support the BSM Concept Demonstration, DLA signed three additional PBAs with its customers including the DoD Food Council for southeastern U.S. subsistence support, the U.S. Pacific Fleet; and the Navy Medical Logistics Command to enhance service with the Fleet Medical Prime Vendor Program. Additionally, overarching agreements with the Army, Navy, Marine Corps, and Air Force, and agreements with the Combatant Commanders at Northern Command and Pacific Command are in coordination with signature anticipated by September 30, 2003.

ENSURE THE INTEGRITY OF THE PURCHASE CARD PROGRAM

Description of the Issue: DLA is among the largest of DoD's independent agencies in terms of its travel card base. Since inception of the Travel Card program DLA has struggled with high delinquency rates and charge offs. Lack of emphasis on the card program, training needs for Agency/Organization Program Coordinators (A/OPC) and a weak hierarchy structure were among the challenges faced.

Accomplishments: J-8 improved and reorganized the card program hierarchy, allowing program coordinators better manageability by improving the A/OPC's span of control. A/OPCs also attended workshops held on delinquency management, which emphasized the importance and effectiveness of internal controls and proper oversight. Additionally, modifications and revisions were implemented to DLA procedures. J-85 has noticed drastic improvements in their program metrics and currently is experiencing a delinquency rate of zero.

ENSURE INTEREST PAYMENTS TO CONTRACTORS ARE REDUCED

Description of the Issue: The emphasis on interest reduction has been increased due to a OUSD(C) memorandum directing the DoD Services and Agencies to reduce interest penalties by 40 percent from FY 01 levels.

Accomplishments: Based on the OUSD(C) memorandum, a joint DLA and DFAS Integrated Priority Team was established, of which J-8 is the co-chair. The team was established to identify and institute systemic and procedural improvements that will lead to gains on the interest reduction goals. The IPT generated an action plan to assist in the reduction of interest penalty payments. Actions accomplished include end-to-end process reviews and substantial business practice changes to improve the contract payment process and reduce interest. These actions are closely monitored and have resulted in data trends showing significant improvement in meeting the baselines established by OUSD(C). The greatest indicator of the downward slope of interest payments is the negative correlation between interest rates and disbursements.

ENSURE FINANCIAL TRANSACTIONS ARE ACCURATE, TIMELY, FULLY DOCUMENTED

Description of the Issue: DoD has directed that the service components and Defense Agencies will be able to produce unqualified financial statements by the year 2007. In an effort to comply with this requirement, the DLA CFO Team contracted with an independent audit agency to assess our Supply Management consolidated financial statements in FY 00; our combined and consolidated agency financial statements in FY 01; and ten DLA identified focus areas in FY 02.

Accomplishments: Deficiencies identified in each report have been identified to the correcting codes/activities within DLA. Plans of actions and milestones have been developed and tracked by the Internal Review staff. Twenty-three of the FY 00 deficiencies have been corrected, increasing DLA's auditability of the Supply Management Balance Sheet; 71 of the FY 01 deficiencies have been corrected, increasing DLA's auditability of the Consolidated Financial Statement; and fifty-two of the FY 02 identified focus area deficiencies are currently being worked.

DLA MANAGEMENT CONTROL TRAINING

Description of the Issue: DLA has been examining ways of providing MC training for managers, supervisors and those involved in conducting assessments for the MCP. During FY 03, DLA HQ requested that the DSCC MC Program Manager develop a half-day course customized to meet the needs of DLA.

Accomplishments: DSCC's MCP Manager developed a 4-hour MC course for managers and supervisors that she and the DLA MCP manager presented at the annual DLA MC Workshop. After receiving the instructor information and training, DLA plans to have MCP Managers at each DLA activity provide the MC training at their own sites, as needed. The goal was to make the course useful, interesting, relevant, and a more economical means of providing MC training DLA wide. It incorporates the most relevant Federal guidance, websites, DLA samples and guidance, and some examples of news stories of both good and bad controls. Formal classes are tentatively planned to begin First Quarter FY 04.

FY 03 and FY 04 ASSESSMENT LETTER FORMAT AND GUIDANCE

Description of the Issue: External auditors frequently ask about "certifications" from DLA managers regarding adequacy of their internal/management controls.

Accomplishments: To help answer external auditors questions and clarify the MCP assessment letter content, DLA added a certification statement to the assessment letter format. This statement is easier to identify for external auditors, as well as to the managers who are signing/certifying as to the accuracy of the report.