



Department of Defense
Defense Commissary Agency
Fort Lee, VA 23801-1800

DIRECTIVE

Internal Control Program

DeCAD 70-2
December 17, 2007

Resource Management
HQ DeCA/RMBM

References: See Enclosure 1

1. REISSUANCE AND PURPOSE. This Directive reissues References (a) through (c) to:

- a. Establish the Defense Commissary Agency (DeCA) Internal Control Program (ICP) and address the establishment and assessment of internal controls.
- b. Incorporate guidance under References (d), (e), (f), and (g).
- c. Establish policy and assign responsibilities.
- d. Comply with Reference (j).

2. APPLICABILITY. This Directive applies to the entire Agency.

3. POLICY. It is DeCA policy that:

- a. All DeCA entities shall participate in the comprehensive ICP that provides reasonable assurance that:
 - (1) Obligations and costs comply with applicable law.
 - (2) Assets are safeguarded against waste, loss, unauthorized use, or misappropriation.
 - (3) Revenues and expenditures applicable to DeCA operations are properly recorded and accounted for, to permit the preparation of accounts and reliable financial and statistical reports, and to maintain accountability over the assets (emphasizing activities involving funds, property, and other assets for which managers are responsible).
 - (4) Programs and administrative and operating functions are efficiently and effectively carried out in accordance with applicable law and management policy.

(5) The ICP process emphasizes prevention of waste, fraud, mismanagement, and timely correction of internal control weaknesses.

b. The ICP process shall be integrated into the daily management practices of all DeCA managers, and shall:

(1) Be consistent with, and draw heavily upon, guidance provided by OMB Circular No. A-123 (Reference (f)), except for those parts of paragraph V, "Reporting on Management Controls," that pertain to reporting and distribution to parties and offices that are external to DeCA.

(2) Address all significant operations and mission responsibilities and not limit evaluations to operations applicable to the financial management community.

(3) Be designed, documented, and operated to provide reasonable assurance that specific objectives enumerated in DoD Instruction 5010.40 (Reference (d)) are met. Managers will continuously monitor and improve the effectiveness of vital internal controls. Continuous monitoring and other periodic evaluations should provide the basis for the annual Statement of Assurance.

(4) To the greatest extent possible, rely on organizationally required and other contributing information sources (such as management and oversight reviews, computer security reviews, financial system reviews, audits, inspections, investigations, internal review studies, quality management initiatives, and management and/or consulting reviews). ICP evaluations should not cause the duplication of existing information that pertains to assessing the effectiveness of internal controls or information that may be used for that purpose. Evaluation of the internal controls of an Assessable Unit should NOT be limited to existing information if that information does NOT allow for coverage of the full scope of vital internal controls applicable to that unit. Whenever existing data does not provide for adequate review of internal controls, then appropriate reviews should be planned and provided that will enable management to make reasonable judgments about the effectiveness of the controls under OMB Circular No. A-123, (Reference (f)). When considering the scope and necessity for reviewing or testing of internal controls, managers should determine whether controls should be classified as "key." In the final analysis, management's assertion as to the status of an Assessable Unit's control environment is based primarily on the status of its key internal controls.

(5) Involve management at all levels and provide for the assignment of overall responsibility for program implementation to a designated senior management official who is directly accountable to the DeCA Director.

(6) Assign to the senior manager of each Assessable Unit responsibility and accountability for execution and evaluation of internal controls in a manner consistent with this guidance.

c. In the most cost-effective manner, the DeCA ICP Manager should coordinate with the Human Resources Training Officer to provide managers throughout the organization with training consistent with their program responsibilities and obligations. Mutually beneficial and consolidated training efforts are encouraged.

4. RESPONSIBILITIES.

a. DeCA DIRECTOR. The DeCA Director shall:

(1) Designate in a written charter the establishment of a Senior Assessment Team (SAT), whose primary role will be the oversight for and implementation of the DeCA ICP. The SAT shall be chaired by the Chief Financial Executive. The voting members will be the:

- (a) Director, Contracting
- (b) Director, Performance and Policy
- (c) Director, Human Resources
- (d) Director, Sales
- (e) Director, Program Management
- (f) Director, Corporate Planning
- (g) Director, Corporate Communications
- (h) Director, Equal Employment Opportunity
- (i) Chief Information Officer
- (j) Director, Health, Safety and Security
- (k) Director, Systems Engineering
- (l) Region Deputy, DeCA East
- (m) Region Deputy, DeCA West
- (n) Region Deputy, DeCA Europe

(2) The advisory members will be the:

- (a) General Counsel
- (b) Inspector General
- (c) Director, Internal Audit
- (d) Director, Budget and Manpower
- (e) Director, Accounting

(f) DFAS-CO representative

(3) Emphasize prevention and correction of waste, fraud, and mismanagement in all control plans and guidelines, and provide for appropriate cost-effective training of affected managers to assure the fulfillment of their responsibilities.

(4) Issue applicable guidance and assign adequate resources to ensure that the policy provisions of this Directive are implemented fully.

(5) Advocate accountability for appropriate compliance with ICP guidance by encouraging performance evaluations of civilian and military managers having significant ICP responsibilities. OMB Circular No. A-123 (Reference (f)) emphasizes management accountability.

(6) Monitor implementation of the program and establish follow-up systems to ensure acceptable performance and prompt correction of all internal control weaknesses, material, or otherwise. The follow-up systems shall be coordinated with other management reporting systems, especially DeCA Internal Review and the DeCA Inspector General, whenever feasible.

(7) Provide to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), by their established deadline, the Annual Statement of Assurance called for in DoD Directive 5010.38 (Reference (d)).

b. CHIEF FINANCIAL EXECUTIVE. The Chief Financial Executive shall:

(1) Serve as the DeCA senior official and chair of the SAT under OMB Circular No. A-123 (Reference (f)) for policy guidance, direction, and coordination with DeCA entities and other Federal Agencies on IC matters.

(2) Establish DeCA ICP policy and oversee its implementation and operation throughout the Agency.

(3) Issue guidance to further define responsibilities and policies for this program.

(4) Prepare for OUSD(C) the Annual Statement of Assurance for submission to the Secretary of Defense, as required by DoD Instruction 5010.40 (Reference (d)), and as interpreted by guidance provided by OUSD(C).

(5) Ensure that the DeCA Corporate Governance Board monitors the DeCA ICP, as appropriate.

c. ICP MANAGER. The ICP Manager shall:

(1) Serve as the primary manager with the responsibility for administration and management of the ICP as outlined by this Directive and any additional guidance issued by the Chief Financial Executive.

(2) Develop and maintain the Agency-wide ICP Plan, ensuring proper implementation of internal controls within all Assessable Units of Agency operations.

(3) Report directly and on a regular basis to the SAT the status of program execution. Each brief

should cover, at a minimum, status updates for overall and financial control issues to include all ongoing and proposed corrective action plans, reportable conditions, and material weaknesses as necessary.

(4) Serve as the primary coordinator between other DeCA management reporting systems (Internal Review and the Inspector General) in compliance with section 4a(6) of this Directive.

(5) Review the reported actions of the DeCA Assessable Units on the specifications and accomplishment of milestones to correct reported material or non-material weaknesses in each functional area.

d. INSPECTOR GENERAL. The Inspector General shall:

(1) Periodically perform and report on evaluations of those DeCA Assessable Units for which the Inspector General has inspection oversight.

(2) Provide to the DeCA Assessable Units inspection findings that disclose a potential weakness in internal controls and the reported status of agreed upon corrective actions.

(3) Provide policy interpretation for DeCA senior managers on reviewing and reporting on the implementation of policies and standards established by this Directive.

(4) Provide clearly disclosed commentary in all inspection and evaluation reports, consistent with existing guidance from the DeCA Inspector General, on the adequacy of management's implementation of this Directive.

e. HEAD OF EACH DIRECTORATE. The head of each DeCA directorate shall:

(1) Appoint an individual who will be accountable for complying with and implementing each Assessable Unit's ICP responsibilities. That individual shall be known as the "Assessable Unit Manager."

(2) Emphasize prevention and correction of waste, fraud, and mismanagement in all plans and guidelines, and provide for appropriate participation of affected managers in training to ensure fulfillment of these responsibilities.

(3) Issue applicable guidance and assign adequate resources to ensure that the policy provisions of this Directive are fully implemented.

(4) Identify internal control weaknesses in all functional areas that should be reported by one or more DeCA Assessable Units.

(5) Identify systemic, material weaknesses for inclusion in the DeCA Annual Statement of Assurance, including those which cut across areas of functional responsibility or the responsibility of a specific DeCA Assessable Unit.

(6) Advocate accountability for appropriate compliance with IC guidance by encouraging performance evaluations of civilian and military managers having significant IC responsibilities. OMB Circular No. A-123 (Reference (f)) emphasizes management accountability.

(7) Monitor implementation of the program and establish follow-up systems to ensure acceptable performance and prompt correction of all material weaknesses. The follow-up systems shall be coordinated with other management reporting systems, especially DeCA Internal Review and the DeCA Inspector General, whenever feasible.

5. RELEASABILITY – UNLIMITED. This Directive is approved for public release. The DoD Components, other Federal agencies, and the public may obtain copies of this Directive through the Internet from the DeCA Web site at: <http://www.commissaries.com>.

6. EFFECTIVE DATE. By order of the Director, this Directive is effective immediately.



Bonita M. Moffett
Chief, Corporate Operations Group

Enclosure

1. References

ENCLOSURE 1

REFERENCES

- (a) DeCAD 70-2, "Management Control Program," August, 2000 (hereby cancelled)
- (b) DeCAD 70-3, "Management Control Plan," October, 2000 (hereby cancelled)
- (c) DeCAH 70-6, "Management Control Systems," July, 2000 (hereby cancelled)
- (d) DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006
- (e) Section 3512 of title 31, United States Code (also referred to as Public Law 97-255 or the Federal Managers' Financial Integrity Act (FMFIA) of 1982)
- (f) Office of Management and Budget Circular No. A-123, Revised, "Management's Responsibility for Internal Control," December 21, 2004
- (g) General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, "Standards for Internal Control in the Federal Government," November, 1999
- (h) Office of Management and Budget Circular A-127 (Revised), "Financial Management Systems," July 23, 1993
- (i) DoD 7000.14-R, "DoD Financial Management Regulation," current edition, authorized by DoD Instruction 7000.14, March 3, 2006
- (j) DoD Directive 5105.55, "Defense Commissary Agency (DeCA)," November 9, 1990