

# Defense Commissary Agency



## Agency Financial Report

Fiscal Year 2025

---

# Table of Contents

<b>Forward</b>	2
<b>Director's Message</b>	3
<b>DECA-AT-A-GLANCE</b>	12
<b>DeCA Mission</b>	13
<b>Section I</b>	14
<b>Overview of DeCA</b>	15
<b>Organization and Mission:</b>	15
<b>2025 Highlights:</b>	16
<b>Sources of Funds:</b>	17
<b>Strategic Planning Framework</b>	18
<b>Financial Statement Summary</b>	22
<b>Limitations of the Financial Statements</b>	29
<b>Analysis of Systems, Controls and Legal Compliance</b>	29
<b>Internal Control</b>	30
<b>Legal Compliance</b>	35
<b>Summary</b>	38
<b>Section II</b>	39
CFO Message	40
Financial Statements	42
Footnotes to Statements	47
Required Supplemental Information	74
<b>Audit Reports</b>	76
Managements Response to the Audit Report	90
<b>Section III</b>	91
<b>Summary of Financial Stement Audit and Management Assurances</b>	92
<b>Management Challenges</b>	94
<b>Payment Integrity</b>	94
Glossary of Acronyms	96

## Foreword

The Defense Commissary Agency (DeCA) is a reporting entity of the Department of Defense (DoD). The Office of Management and Budget (OMB), which implements the Chief Financial Officers (CFO) Act of 1990, accordingly requires the DoD to use DeCA's financial statement information to prepare the Agency DoD financial statements.

Under the CFO Act, OMB also requires DoD and other agencies to incorporate their Agency financial statements into a Performance and Accountability Report (PAR) or an alternative Agency Financial Report (AFR). Although DeCA is not required to prepare a separate PAR or AFR, this document, which is aligned to the statutory guidance framework, has been prepared to enhance the presentation of performance, management, financial information, and to demonstrate a higher standard of accountability. DeCA will post its FY2025 Agency Financial Report at [www.commissaries.com](http://www.commissaries.com) by the end of the 1st Quarter, FY 2026.



## FY 2025 Defense Commissary Agency (DeCA) Agency Financial Report (AFR)

### Director's Message

Fiscal Year (FY) 2025 was distinguished by the modernization and expansion of the commissary benefit for all authorized patrons. The core mandate of the Defense Commissary Agency (DeCA) remains the provision of a quantifiable, non-pay benefit that augments the economic security and overall quality of life for service members and their families world-wide. This commitment to delivering measurable patron value and enhancing the daily welfare of the military community establishes the bedrock of the Agency's operations and strategic planning framework.

DeCA again secured an unmodified audit opinion for FY2025—a notable achievement realized for the 23rd time in the last 24 years—which underscores the Agency's adherence to steadfast accountability standards and accurate stewardship of public resources. This sustained financial integrity is paramount for maintaining the confidence of Department of Defense (DoD) leadership, Congress, and stakeholders concerning the disposition of appropriated funds. Furthermore, DeCA surpassed the congressionally mandated 25 percent patron savings rate, achieving 25.5 percent savings (representing an increase of 0.2 percentage points year-over-year), delivering over \$1 billion in direct, demonstrable savings to the military community. This savings reinforces the commissary's role as a key economic stabilizer, particularly for junior enlisted and financially burdened military households worldwide.

Key organizational milestones achieved during FY2025 demonstrate the dual strategic focus on modernization and comprehensive benefit accessibility:

**Expanded Eligibility and Pilot Assessment:** A pilot program was implemented on December 5, 2024, designed to grant commissary shopping privileges to all DoD civilian employees at 19 commissary locations. This expansion is currently undergoing evaluation, with the pilot extended beyond its initial December 5, 2024 cessation date to December 31, 2027, to fully test the feasibility and logistical impact of broader implementation. Initial data confirms the pilot has generated an incremental \$61,740 in sales. Concurrently, shopping access was formally expanded to include Department of Homeland Security and DoD civilians and their family members in Puerto Rico and Guam, broadening the reach of the benefit to domestic operational theaters. The 19 installations participating in this critical pilot are comprehensively identified as: Eielson Air Force Base (AK), Naval Air Weapons Station China Lake (CA), Fort Irwin (CA), Marine Corps Logistics Base Albany (GA), Robins Air Force Base (GA), Orote Naval Base (Guam), Andersen Air Force Base (Guam), Naval Air Station Patuxent River (MD), Altus Air Force Base (OK), Fort Buchanan (PR), Laughlin Air Force Base (TX), Naval Support Facility Dahlgren (VA), Joint Base Langley-Eustis (Fort Eustis and Langley Air Force Base commissaries), Fort Lee (VA), Joint Expeditionary Base Little Creek-Fort Story (Little Creek Commissary) (VA), Naval Base Norfolk (VA), Naval Air Station Oceana (VA), and Norfolk Naval Shipyard (Portsmouth) (VA).

- Infrastructure Modernization and Consolidation:** The Agency commenced construction activities for a new, state-of-the-art commissary at Panzer Kaserne in Stuttgart, Germany, following a collaborative groundbreaking event in June 2025. This project is projected to consolidate four existing, smaller, and aging retail facilities (Patch Barracks, Panzer Kaserne, Kelley Barracks, and Robinson Barracks) into a single, modern commissary encompassing nearly 74,000 square feet, featuring over 37,000 square feet of dedicated sales area anticipated to serve in excess of 27,000 patrons upon its scheduled operational commencement in the spring of 2028. This \$238 million investment, derived exclusively from surcharge revenue, constitutes a crucial undertaking in replacing obsolete infrastructure in high-demand overseas locations.
- Technological Integration and Digital Transformation:** DeCA formally initiated the **Advance Retail Technology Suite (ARTS)** project commencing a critical digital transformation initiative predicated upon the utilization of the SAP S/4HANA Retail Cloud. This endeavor is expressly formulated to replace disparate legacy systems, establish a singular, authoritative system of record for all retail data, simplify complex operational processes through the adoption of commercial best practices, and facilitate real-time data visibility across the enterprise, representing a major advancement in enabling quicker, more data-informed decision-making. Concurrently, the deployment of a foundational Artificial Intelligence (AI) assistant, tailored for retail grocery operations, successfully fulfilled all rigorous DoD cybersecurity and data-handling compliance standards during initial validation. This tool is now transitioning into an early adopter phase involving DeCA Headquarters and Support Center personnel.

The Agency’s focused commitment to innovation, operational efficacy, and expanded eligibility is integral to securing the commissary's position as the preferred grocery provider for the military community. DeCA anticipates the continued, resolute progression of these vital initiatives into FY2026, targeting sustained modernization and enhanced patron service delivery for over 15 million patrons world-wide.

## Financial and Operational Performance Summary

### Key Financial Results

Metric	FY2025 Value	Change from FY2024	Commentary
--------	--------------	--------------------	------------

<b>Annual Sales</b>	<b>\$4.831 Billion</b>	+1.59%	The Agency recorded a year-over-year increase in total sales (an increment of \$0.076 Billion from \$4.755 Billion in FY2024), indicative of consistent demand and the positive effects stemming from expanded eligibility and new product introductions.
<b>Total Revenue</b>	<b>\$5.0 Billion</b>	N/A	Total revenue realized by the Agency for the fiscal year, encompassing sales and surcharge funds, which are essential for covering operating costs not supported by direct appropriations.
<b>Patron Savings Rate</b>	<b>25.2%</b>	+0.3 percentage points	The 25 percent patron savings rate was successfully surpassed, translating into substantial, measurable financial relief for military families relative to average civilian grocery pricing benchmarks.
<b>Incremental Savings</b>	<b>\$1.63 Billion</b>	+\$51 Million	A distinct and substantial increase in the direct economic benefit provided to authorized patrons (rising from \$1.58 Billion in FY2024), demonstrating the escalating purchasing power delivered by the commissary as a non-pay entitlement.

### Operational Performance

<b>Metric</b>	<b>FY2025 Value</b>	<b>Change from FY2024</b>	<b>Commentary</b>
<b>Total Transactions</b>	<b>74 Million</b>	+1.83%	Indicates a heightened level of customer activity within the commissaries (an increase from 72 million in FY2024). The growth in transactions, juxtaposed with a marginal decline in unit sales, suggests a pattern of increased frequency in customer visits to maximize savings.
<b>Total Households Shopping</b>	<b>Exceeds 1.7 Million</b>	+0.66%	Reflects expanded utilization by the military community, partially attributable to the introduction of new eligibility categories and targeted sales and marketing campaigns designed to increase household penetration. Since the Agency's renewed strategy in

			2021, eligible patrons capturing their hard earned military benefit is up 9%.
<b>Unit Sales</b>	<b>Approximately 1.3 Billion</b>	-0.73%	A marginal reduction in the volume of goods sold. This slight contraction is largely mitigated by the concurrent increase in total transaction volume and the greater patron utilization of higher-value, prepared food offerings.
<b>In-Stock Rate (End of FY)</b>	<b>97.4%</b>	+1.1 percentage points	A significant enhancement in product availability (improving from 96.3% in October 2024), driven by optimized logistics protocols and enhanced collaboration with distribution partners across the retail network and central distribution centers.

#### Auxiliary Sales and Commissary CLICK2GO® (CC2G) Performance

The online ordering and curbside pickup platform maintained a substantial growth trajectory throughout the fiscal year, confirming the robust patron demand for convenient digital access to the benefit.

<b>Auxiliary Metric</b>	<b>FY2025 Value</b>	<b>Commentary</b>	
<b>Kiosk Sales</b>	\$13.8 Million	Sales generated through automated, self-service retail kiosks situated in high-traffic installation locations.	
<b>Drop-off Sales</b>	\$953,000	Sales facilitated through specialized bulk or deferred-pickup ordering processes.	
<b>CC2G Metric</b>	<b>FY2025 Value</b>	<b>Change from Previous Year</b>	<b>Implication</b>



<b>Sales</b>	\$52,007,985	+10.89%	Indicates the continued maturation and market acceptance of the e-commerce platform.
<b>Transactions</b>	410,787	+10.48%	Reflects growing patron adoption of digital ordering methods.
<b>Average Basket Size</b>	\$126.61	+0.37%	Suggests stable, high-value orders placed online, which supports optimal logistical efficiency.

The realization of robust double-digit growth in both CC2G sales and transactions, coupled with a consistently stable, high average basket size, definitively illustrates the platform's critical function in satisfying the modern demands of military families by offering transactional speed and convenience while fully preserving the core savings benefit.

## **Principal Strategic Initiatives and Programs**

### **Modernization of the Retail Environment**

**Advance Retail Technology Suite (ARTS)** The official launch of the ARTS project uniting DeCA leadership, the SAP software provider team, and the Accenture Federal Services integration team, formally established its strategic and multi-phased methodology. The project is currently engaged in the detailed process design phase, concentrating on intensive "fit-to-standard" workshops. During these sessions, Functional Process Owners collaborate with the integration team to rigorously map current "as-is" processes to the definitive SAP "to-be" architecture. The primary objective of this meticulous effort is to ensure all high-priority requirements, formally documented within the Requirements Traceability Matrix (RTM), are fully addressed while strictly limiting unnecessary customization to secure alignment with industry-standard commercial best practices. Key immediate next steps encompass the establishment of initial SAP sandbox and development technical environments and the comprehensive finalization of the complex integration strategy with critical dependent platforms such as NCR/CC2G and all necessary external government interfaces.

**Data Strategy and Artificial Intelligence (AI)** DeCA's Chief Data Office successfully deployed a foundational AI assistant, which utilizes advanced large language models and retrieval-augmented generation capabilities specifically adapted for complex retail grocery operations. The program, having successfully passed thorough validation to meet full DoD cybersecurity and data-handling compliance standards, is currently in an early adopter phase engaging personnel from DeCA Headquarters and Support Centers. As a preeminent defense agency, DeCA is



strategically pioneering secure, scalable AI integration. Long-term objectives are multi-faceted and comprehensive: extending secure access to store-level operational users, aligning seamless integration with the enterprise data lake as curated datasets are onboarded, and continuously enhancing the assistant's natural language processing and contextual reasoning capabilities. This phased approach will support the continuous identification and comprehensive collection of additional business-use cases, specifically targeting areas such as predictive maintenance of critical store equipment, automated bot workflows, and robust data orchestration across the entire enterprise.

**Electronic Shelf Labels (ESLs)** The commissary located at Ramstein Air Base, Germany, is spearheading the modernization of the overseas shopping experience through the pilot implementation of Electronic Shelf Labels (ESLs). Ramstein represents DeCA's inaugural store in Europe to adopt this technology. These new digital labels replace traditional paper methods, permitting instantaneous, real-time price updates via a mobile application, a capability critical for maximizing sales during transient promotions and optimizing price integrity. The ESLs also serve a crucial dual function by streamlining back-of-house operations related to inventory management, and measurably enhancing the efficiency of order fulfillment processes for the CC2G platform.

### **Enhancing Patron Access and Value Proposition**

**Request for Information (RFI) on Privatization** In accordance with the Deputy Secretary of War's memorandum dated April 7, 2025, DeCA formally released an RFI to solicit comprehensive industry input regarding the potential privatization of 178 commissary locations across the continental U.S. (CONUS), Alaska, Hawaii, and Puerto Rico. The articulated purpose of this rigorous assessment is to determine the genuine interest and demonstrate capability of commercial grocery operators and investment firms to manage commissary operations, with or without governmental support. A crucial and non-negotiable prerequisite of this assessment is the requirement for any potential private entity to simultaneously preserve the essential military benefit—specifically, maintaining an average patron savings of 23.7 percent—and formally assuming responsibility for a projected \$2.4 billion infrastructure bill necessary for future facility upkeep, replacement, and modernization.

### **Product Portfolio and Service Innovation**

**Commissary Store Brands (CSB) and Product Expansion** DeCA systematically enhanced its private-label portfolio (CSBs) and expanded convenient product alternatives to improve both patron value and selection. The nine established CSB brands, which include *Freedom's Choice* (food), *Homebase* (non-food), *Full Circle Market* (organic), *Tippy Toes* (baby products), *TopCare* (health and beauty items), *Wide Awake Coffee*, *Cravn' Flavor* (refrigerated and frozen appetizers and snacks), *Pure Harmony* (assorted pet food), and *Flock's Finest* (bird food), collectively feature 1,010 items with sales reaching \$203,988,423 derived from 66,740,467 items sold. This diversified portfolio offers military patrons high-quality, cost-effective options across nearly every retail category, thereby driving increased patron loyalty and economic relief.

- **Ready-to-Eat Meals:** A new line of Chef-Inspired Freedom's Choice prepared meals was officially launched in October 2024, with several additional items scheduled for introduction in November 2025 as an ongoing component of the Commissary Store Brands prepared-foods program. These specific offerings, which include comforting options such as Chicken Pot Pie and Traditional Meat Loaf with Mashed Potatoes and Green Beans, are strategically positioned within the Home Meal Replacement section of the stores, clearly delineated with signage that reads "Chef-Inspired Meals" and "Ready in 5 Minutes or Less." Furthermore, DeCA is actively expanding ready-made pizza options in stores, with nine locations introducing pizza to their deli and bakery areas since May.
- **Ukrop's Homestyle Foods:** A pilot program initiated in July 2025, launched with a major promotional event at Fort Belvoir Commissary in Virginia on July 30, successfully introduced popular Ukrop's prepared meals and fresh-baked goods (encompassing entrées, quiche, sides and dips, deli salads, and frozen bakery items). This pilot, which also included Marine Corps Base Quantico, Fort Lee, and Naval Station Norfolk in Virginia, retains the potential for expansion along the East Coast to 30 commissaries, directly responding to consistent patron demand for high-quality, convenient, fresh perimeter products.
- **Sales Campaigns:** DeCA executed targeted sales campaigns throughout the year designed to maximize patron savings. Operation Baby provided customers with the opportunity to realize savings of up to 40% on over 100 essential baby products from industry-leading brands. The Pet Expo prominently highlighted key pet products, including vet-quality flea and tick prevention items valued at \$70-\$80 in external retail settings, but reliably available at commissaries for \$18-\$20. Farmer's Markets expanded the availability of organic produce and proteins across the enterprise, directly addressing patron requests for high-quality, fresh, locally sourced items.

**Supply Chain Resilience and Efficiency** The Agency placed considerable strategic emphasis on fortifying supply chain resilience, particularly concerning operations in overseas locations. Sealift operations conducted during the first three quarters successfully shipped over 13,000 containers at a total cost of \$52.2 million, comprising a necessary variety of dry, chilled, and frozen products. Furthermore, 12 emergency airlift missions were executed throughout the fiscal year, delivering 415,000 pounds of essential dry, chilled, and frozen items at a total cost of \$619,000 to mitigate unforeseen logistical disruptions. Routine airlifts, primarily utilized for highly perishable goods such as bagged salad, accounted for \$6.4 million, moving 2.8 million pounds of product to rigorously maintain freshness standards. The successful collaboration with distributors across the retail network and central distribution centers directly contributed to the 1.1 percentage-point improvement in the Agency's in-stock rate, increasing from 96.3 percent to 97.4 percent by the conclusion of the fiscal year, which is a key performance indicator of operational efficiency and patron satisfaction.

## Community Support and Environmental Stewardship

**Scholarships for Military Children** The Fisher House Foundation awarded 500 scholarships totaling \$1 million for the 2025-2026 academic year through the Scholarships for Military Children program. The deserving recipients were formally honored at award ceremonies hosted by commissaries worldwide. Since the program's inception in 2001, it has awarded over \$25 million in scholarships, representing a significant investment in supporting the educational success of children of U.S. service members.

**Environmental Management System (EMS)** DeCA's rigorous recycling program, operating under the established framework of its EMS, achieved a material diversion rate of 55.1 percent, with the recycling of over 82,000 pounds of various materials in FY2025, including cardboard, plastics, and organic waste. The mandatory food bank program, which operates across 179 commissaries donating to 221 approved food bank partners nationwide, facilitated the donation of over 4.8 million pounds of edible, unsellable food. This initiative serves the dual purpose of significantly contributing to waste reduction efforts and actively supporting local community anti-hunger programs, unequivocally reinforcing DeCA's commitment to environmental responsibility and community welfare.

### 4. Best Commissary Awards 2024 Recipients

The annual Best Commissary Awards formally recognize facilities that demonstrably exceed performance standards in accountability, customer satisfaction, sales, and safety across five distinct categories differentiated by store size and operational location. Recipients are selected based upon rigorous metrics including unit cost performance, accident-avoidance rates, customer satisfaction scores, and detailed photo portfolio submissions, with the awards announced in May.

Award Category	1st Place Recipient	2nd Place Recipient
<b>Director's Award – CONUS Superstore</b>	Joint Base Elmendorf-Richardson, Alaska	Marine Corps Air Station Miramar, California
<b>Dan Daniel Award – OCONUS Large</b>	U.S. Army Garrison Camp Humphreys, Republic of Korea	Ramstein Air Base, Germany

<b>Bill Nichols Award – CONUS Large</b>	Wright-Patterson Air Force Base, Ohio	Marine Corps Air Station Cherry Point, North Carolina
<b>Richard M. Paget Award – CONUS Small</b>	Pittsburgh Area, Pennsylvania	Naval Air Facility El Centro, California
<b>L. Mendel Rivers Award – OCONUS Small</b>	Royal Air Force Alconbury, United Kingdom	U.S. Army Garrison Camp Zama, Japan

## 5. Summary and Forward Outlook

FY2025 was characterized by the attainment of concrete operational and financial performance results and the execution of essential forward-looking actions designed to secure the long-term viability and modernized delivery of the commissary benefit. The unmodified audit opinion confirms DeCA's unwavering financial integrity, while the 25.5 percent patron savings rate validates its core value proposition and substantial economic impact. The Agency is concurrently dedicated to essential strategic investments in digital transformation via the ARTS project and AI integration, which are foundational to future efficiency, alongside the expansion of patron access and the modernization of physical infrastructure. DeCA continues to deliver 25 percent savings, providing a valued benefit to over 15 million world-wide patrons.



John E. Hall  
Director

## DECA-AT-A-GLANCE

Established as a Provisional Organization:	May 15, 1990
Formally Established:	Nov. 9, 1990
Officially Activated:	Oct. 1, 1991
Headquarters:	1300 Eisenhower Avenue, Fort Lee, VA 23801-1800 <a href="http://www.commissaries.com">www.commissaries.com</a> <a href="https://www.facebook.com/YourCommissary">www.facebook.com/YourCommissary</a> <a href="https://www.twitter.com/TheCommissary">www.twitter.com/TheCommissary</a> <a href="https://www.youtube.com/DefenseCommissary">www.youtube.com/DefenseCommissary</a>
Fiscal 2025 sales:	\$ 4.8 billion
Fiscal 2025 total revenue:	\$ 5.1 billion
Fiscal 2025 operations cost:	\$ 1.6 billion
Total employees:	12,049
Total authorized households:	Approximately 8.3 million
Customer transactions:	74 million
Global presence:	13 countries, 2 U.S. Territories
Commissaries as of 30 Sep 2025:	234

## DeCA Mission

Deliver a vital benefit of the military compensation package that improves quality of life and readiness by providing grocery items at significant savings.



## DeCA Vision

To be THE grocery provider of choice for our eligible patrons – delivering a vital benefit exclusively for our military community and their families.

## DeCA Values

DeCA's values are defined by the concepts captured in the acronym "PASSION" and represent guiding principles intended to inspire us to take ownership of our performance and behavior, make the right decisions, and ultimately define our culture and work behaviors.



## Section I

### Management's Discussion and Analysis





# Overview of DeCA

## Organization and Mission:

The Defense Commissary Agency (DeCA or the Agency) is a component of the DoD reporting to the Under Secretary of Defense for Personnel and Readiness. In 1989, the House Armed Services Committee appointed the Jones Commission to analyze the commissary systems (i.e., grocery stores or supermarkets) operated by the four military services. In order to provide better service to military patrons at a lower cost, the Commission recommended consolidation of the four separate commissary systems, which established DeCA on October 1, 1991.

From its headquarters at Fort Lee, Virginia, the Defense Commissary Agency (DeCA) operates a worldwide commissary system that provides quality grocery products at substantial savings to active-duty military personnel and retirees, members of the Reserve and National Guard, and their families. The agency employs slightly more than 12,000 people and its annual sales exceed \$4.8 billion.

Five area offices provide localized management and support for the agency's commissaries. Three of these offices, East, Central, and West, manage stores in the continental United States (US) and Puerto Rico. The other two area offices, Europe and Pacific, manage stores in Europe, Africa and Asia. Within the operational areas, zone managers are responsible for 8 to 12 stores. Zone managers and assigned store directors jointly provide leadership and direction for their stores, building positive customer service in each commissary.

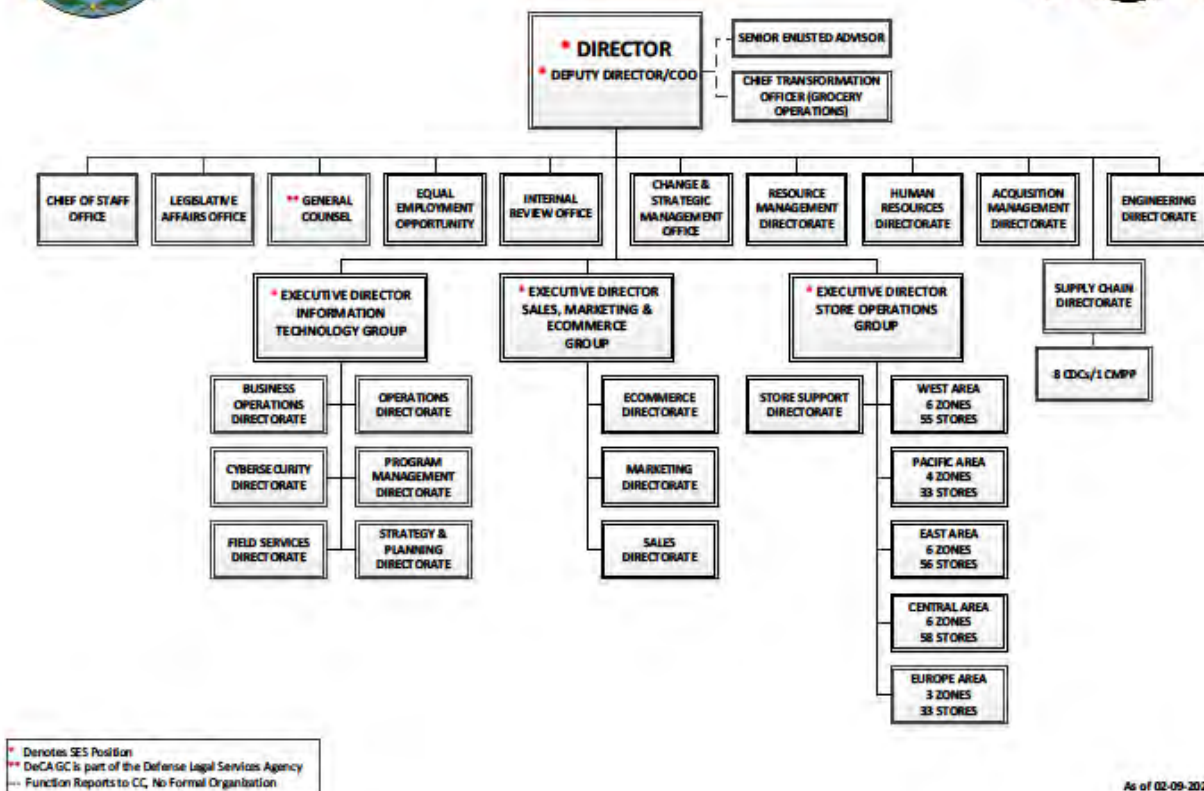
DeCA also operates central distribution centers (CDCs) in Europe and the Pacific. Field operating activities perform services for area operating elements and their commissaries, including centralized purchasing of national-brand sales items.

The organizational structure of DeCA for fiscal year (FY) 2025 is shown in the following chart:



# DEFENSE COMMISSARY AGENCY

HEADQUARTERS AND SUPPORT CENTER  
1300 Eisenhower Avenue  
Fort Lee, Virginia 23801-1800  
Commercial: (804) 734-8000 DSN: 687-8000



## 2025 Highlights:

DeCA has maintained our unmodified opinion for FY2025. We were able to perform accountable inventories at all 234 of our commissaries both in CONUS and OCONUS (via contractors). We continue to improve cycle counts at store level to ensure our balance on hand is accurate.

DeCA is continually revising our Risk Management and Internal Control Program (RMIC) to align with the yearly changes in the DoD priorities, as well as our internal changes in business processes. Changes have been put into place in the areas of payroll accountability, property, plant and equipment, and imputed cost reconciliation. The continued review and revision of our internal controls allow DeCA to remain at the forefront of potential issues and sustaining an unmodified opinion.

DeCA conducted an internal control assessment of the effectiveness of our Internal Controls over Financial Reporting (ICOFR) for the following implementation areas: Budgetary Resources (Appropriations Received, Accounts Payable, Accounts Receivable and Civilian Pay); Critical

Assets (Inventory, Personal Property, Cash and other Monetary Assets); and Other Long-Term Liabilities (Federal Employee Compensation Act Liability and Foreign National Separation Pay Liability). The assessment of the implementation areas was conducted in strict compliance with the OMB Circular A-123, Appendix A, as directed by DoD guidance under the oversight of the DeCA Senior Assessment Team.

## **Sources of Funds:**

Within DeCA's working capital fund (WCF), there are two activity groups - Commissary Resale Stocks and Commissary Operations. DoD defines these two activity groups as business areas for fund control purposes. Commissary Resale Stocks reflect the revenues from the sale of products by the commissary stores. Products offered include groceries, meat, produce, dairy, health and beauty aids, household products and pet supplies.

Commissary Operations finances the operating costs of commissaries, areas, and headquarters activities. The primary revenue source for this activity group is a direct appropriation to the Defense WCF, which in turn, is apportioned to the DeCA WCF. Specific costs include civilian and military labor, service contracts, travel, transportation of commissary goods overseas and other indirect support. DeCA received approximately \$1.57 billion in appropriation transfers during FY 2025.

Commissary Operations also received limited additional revenues from manufacturers' coupon redemption fees, handling fees for tobacco products, and reimbursements for other support.

DeCA's Surcharge Collections Trust Fund, which is part of the General Fund, is primarily funded from the five percent surcharge applied to patron sales at the checkout counter.

The Surcharge Collections Trust Fund resources are used for store information technology, maintenance and equipment, and the commissary construction program. The Fund does not receive a direct appropriation.

## Strategic Planning Framework

DeCA develops and structures its planning and performance process using the framework provided in the Government Performance and Results Modernization Act (GPRAMA) (Public Law 111-352) and the associated guidance in OMB Circular No. A-11, Part 6.

DeCA's strategic planning process incorporates multiple planning tools such as Agency Strategic Direction, Performance Plans and Strength, Weakness, Opportunities and Threats (SWOT) analyses. We conduct quarterly data calls and metric reviews for performance management that include an ongoing assessment of results of specific measures aligning to strategic goals and objectives.

DeCA's Strategic Plan lays out the roadmap for the Agency's validated vision and mission for the future. DeCA's Vision is **"To be THE grocery provider of choice for our eligible patrons – delivering a vital benefit exclusively for our military community and their families."** DeCA strives to fulfill its mission to **"Deliver a vital benefit of the military compensation package that improves quality of life and readiness by providing grocery items at significant savings."** The commissary benefit supports Service members and their families by providing a safe grocery shopping environment with significant savings compared to civilian supermarkets. The vision and mission are the driving forces behind our goals found in the Agency 2025-2029 Strategic Plan.

### Strategic Planning:

DeCA established specific areas to create positive change, offer more opportunities for our eligible patrons, improve their experience, and make the benefit stronger. DeCA's approach supports President Trump's America First Priorities, particularly Make America Safe Again and Secretary of War Hegseth's Message to the Force calling for restoration of the force, rebuilding our military, and reestablishing deterrence. In order to become "THE grocery provider of choice for our eligible patrons," the DeCA Strategic Plan identifies five Strategic Goals, supported by Strategic Objectives with milestones, as the priority areas for improving the way we deliver the benefit. The plan also documents and continues implementation of the DeCA strategic direction for the future, focusing on fiscal years 2025-2029.

The following chart shows those goals and their tasks and purposes:

- **Our Vision:** “To be THE grocery provider of choice for our eligible patrons – delivering a vital benefit exclusively for our military community and their families.”
- **Our Mission:** “Deliver a vital benefit of the military compensation package that improves quality of life and readiness by providing grocery items at significant savings.”

**DeCA’s 5-Year FY 2025-2029 Strategic Plan – Our Strategic Goals.** The goals are managed by specific DeCA directorates responsible for movement and actions toward strategic outcomes. These updated goals revolve around the following areas and outcomes:

- *Grow Sales:* Deliver more savings by growing sales.  
Task: To grow sales.  
Purpose: To deliver more savings benefit, amplifying the appropriation 2X.
- *Develop Leaders – Build the Bench:* Build leaders to run a Patron delighting grocery business.  
Task: To develop leaders and build the bench to run a Patron delighting grocery business inside the DoD.  
Purpose: Broaden our workforce to become more skilled and experienced.
- *Drive Accountability:* Accountability for results and fiscal responsibility.  
Task: Establish a culture of personal accountability and fiscal responsibility.  
Purpose: Hold ourselves, our suppliers, our distributors, and our contractors more accountable for results.
- *Lower Costs:* Improve our efficiency and effectiveness so we can reinvest in savings and the Patron experience.  
Task: Improve our efficiency and effectiveness.  
Purpose: Hold costs to inflation, lower the cost of doing business with DeCA so money can be reinvested in savings and the Patron experience.
- *Modernize Business:* Transform business infrastructure and the Patron’s shopping environment and access (Infrastructure).  
Task: Improve our business operations.  
Purpose: Industry scaled solutions first, tailored to DeCA only when required by law. Transform business infrastructure and the Patron’s shopping environment and access (Infrastructure)

## Strategic Direction

The Agency’s senior executives maintain a strategic thinking process that considers impacts to DeCA in the near and long term. They have determined the Agency’s direction based

on National Defense Authorization Acts (NDAA) and Department of Defense guidance, an assessment of significant impacts, ongoing collaboration, discussions, and analysis. The Agency's goals reflect the top performance improvement priorities of leadership. Our strategic goals are reevaluated annually to ensure they remain relevant to our environment, stay consistent with the Agency's mission, and continue to support the Department of Defense's strategic priorities. Each Strategic Goal has supporting objectives with performance measures that indicate achievement of the desired end state.

DeCA continues to refine efforts to gain shopper insights and be sensitive to the expectations of our patrons. We investigate rapidly changing technology that is a significant part of the ways that our patron's shop and communicate. Concepts were evaluated and have been implemented as we partner with the 21<sup>st</sup> century shopper. Transforming the agency with innovation is a primary focus, as shown by recent commissary programs such as online shopping and payment, patron-focused initiatives, piloting of delivery services, etc.

Modernizing DeCA's business systems and retail processes is a continuous process. Continued modernization will take place in defined increments over time and will eliminate redundant and costly legacy systems, improve business performance, and incorporate commercial best practices. This is critical to the Agency's future to ensure important capabilities such as customer relationship management, multi-channel retailing and marketing, enhanced e-Commerce capabilities, inventory optimization, and data accuracy and analytics that are available to ensure ongoing relevancy.

The Agency's quarterly performance reviews and other forums ensure further analysis of investments and their data-based results to support subsequent decision-making.

## **Aligning Planning and Performance**

DeCA's Strategic Plan communicates the Agency's overarching direction, while linking to the annual Agency Performance Plan to establish performance measures used to assess our progress. The FY 2025 Agency Performance Plan incorporates performance measures and targets across three key areas: Patron Savings, Customer Satisfaction, and Sales. The results of the Agency Performance Plan are monitored and assessed quarterly to enable data-based decision-making. The Agency quarterly reviews also allow for executive and senior leadership discussions, transparency of activities, and opportunities for course adjustments and improved outcomes. The chart below displays the FY 2025 Agency Performance Plan's three areas and associated goals.

## DeCA FY25 Performance Plan



### High Level Strategic Measures: FY25 Goals

Patron Savings	Customer Satisfaction	Sales
<div> <div>FY25-29 Goal 25.0%</div> <div>Parameter (G) ≥ 1% below baseline (≥24.0%)</div> </div>	<div> <div>FY25-29 Goal Grade of A</div> <div>Parameter (G) A (≥ 80)</div> </div>	<div> <div>FY25 Goal \$4.875B</div> <div>Parameter (G) Meet or exceed DeCA's sales goal</div> </div>
<small>Y: Within -2% to -1% of DeCA's sales goal R: &gt; -2% of DeCA's sales goal</small>		

\* Detailed information is included in the glossary

UNCLASSIFIED//FOR OFFICIAL USE ONLY (FOUO)

2

The DeCA Performance Plan supports the Agency's 2025-2029 Director's Strategic Plan goals and outcomes and encompasses FY 2025's results. The performance goals and measures are provided for each performance element as follows:

- Patron Savings: The left metric depicts the percentage of patron savings achieved versus the goal of 25 percent savings.
- Customer Satisfaction: The middle metric depicts DeCA's current annual Customer Satisfaction (CSAT) score based on Verint methodology; an "A" grade is any score above the goal of 80.
- Sales: The right metric depicts DeCA's current year sales results versus the FY 2025 goal.

### Strategic Planning Risk Mitigation

The DeCA strategic planning process is designed to align its planning and performance management processes to ensure successful implementation of the goals and objectives of the commissary program. To mitigate risks in providing the commissary benefit to authorized patrons, DeCA uses a repetitive performance review process that measures achievement of Agency



strategic goals and outcomes. The performance goals and measures are reviewed, progress assessed, and results reported quarterly and annually, including any adjustments as changes in direction occur.

DeCA has continued to the trend of increasing sales year after year since the end of FY 2021 and continues to implement and refine programs aimed at bringing customers back to military resale and growing the basket dollar value of commissary customers. This effort uses revenue accelerators such as implementing delivery, increasing produce to 11% of sales, executing a flawless Key Value Item (KVI) pricing strategy, selling fresh seafood in all stores, entering categories that patrons expect to find in a grocery store, and conducting a thorough category performance review.

However, commissaries continue to face risks that must continue to be mitigated moving forward. Like all retail grocers, DeCA faces challenges from inflation, supply chain disruptions, and a sustainable workforce as we compete for talent to operate our stores. DeCA sustained savings of 25 percent through FY 2025 and will continue to deliver this to the extent our resources allow. We continue our ongoing mission to deliver much-needed savings to all our eligible patrons and ultimately achieve our vision: “To be THE grocery provider of choice for our eligible patrons.” We must remain committed to providing healthy food options, clean and safe stores, expanded operating hours, convenience, and premier customer service.

## **Financial Statement Summary**

The Defense Commissary Agency (DeCA) Agency Financial Report provides a consolidated presentation of the Working Capital Fund (WCF) and General Fund (GF). The report showcases comprehensive financial and performance data that demonstrates accountability and transparency in the use of taxpayer funds.

The financial statements were prepared to report the financial position and results of DeCA WCF and GF operations. The financial statements and notes have been prepared from the financial records of DeCA and following the guidance from the following applicable laws and regulations:

- Federal Managers’ Financial Integrity Act (FMFIA) of 1982
- Chief Financial Officers (CFO) Act of 1990
- Government Management Reform Act (GMRA) of 1994
- Federal Financial Management Improvement Act (FFMIA) of 1996
- Reports Consolidation Act of 2000
- Government Performance and Results Act (GPRA) Modernization Act of 2010
- Payment Integrity Information Act (PIIA) of 2019
- Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements
- OMB Circular A-123, Management’s responsibility for Enterprise Risk Management (ERM) and Internal Control

- OMB Circular A-11, Preparation Submission, and Execution of the Budget

The Agency Financial Report consists for three sections:

- Management's Discussion and Analysis (MD&A)
  - The MD&A is a high level overview of DeCA that includes DeCA's history, mission, and organizational structure. Additionally, it includes the strategic performance goals and objectives and results; financial analysis; management's assurance on controls; system analysis; and compliance with laws and regulations.
- Financial Section
- Other Information

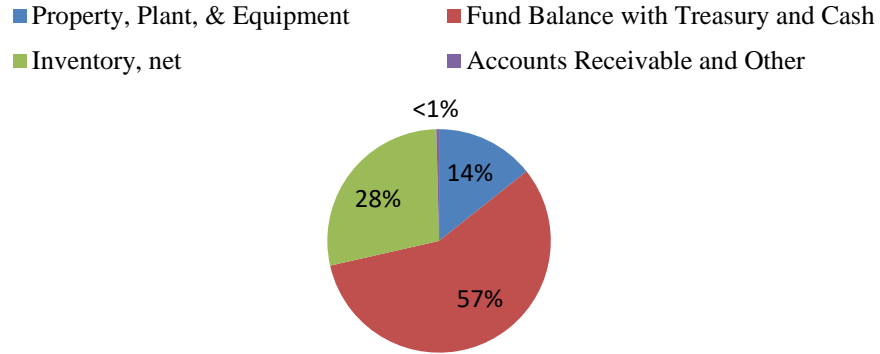
DeCA's Balance Sheet, Statements of Net Cost, Changes in Net Position, and Combined Statements of Budgetary Resources (financial statements) have been prepared to report the financial position and results of operations for the entity, pursuant to the requirements of Title 31, United States Code (U.S.C.) 3515 (b). These financial statements have been prepared from DeCA's books and records in accordance with the formats prescribed by the OMB. These financial statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. As such, some liabilities cannot be liquidated without legislation that provides resources to do so.

DeCA's financial statements are presented in a single year format consistent with OMB guidance. The following section provides a brief description of each financial statement along with relevant information that will aid the reader in understanding the financial components of DeCA.

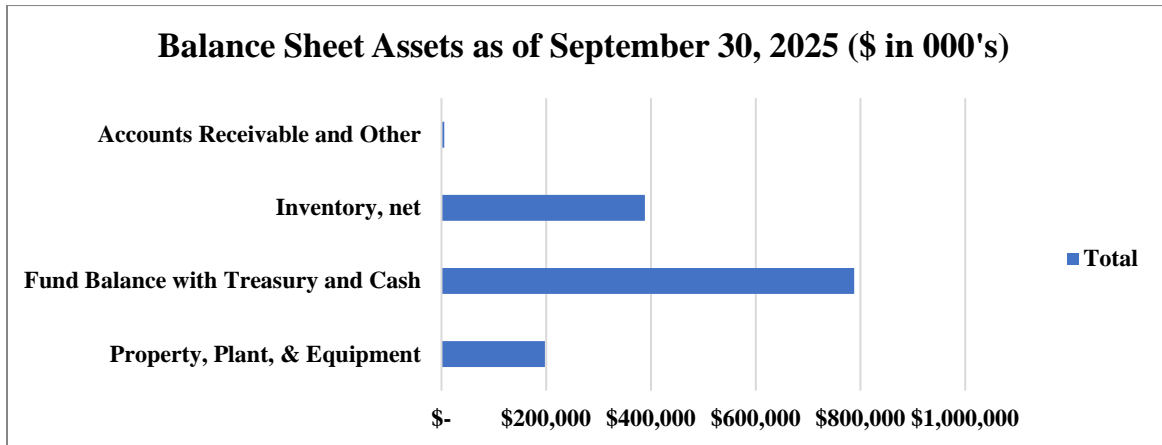
The Balance Sheet presents the amounts available for use by DeCA (assets) against the amounts owed (liabilities) and amounts that comprise the difference (net position).

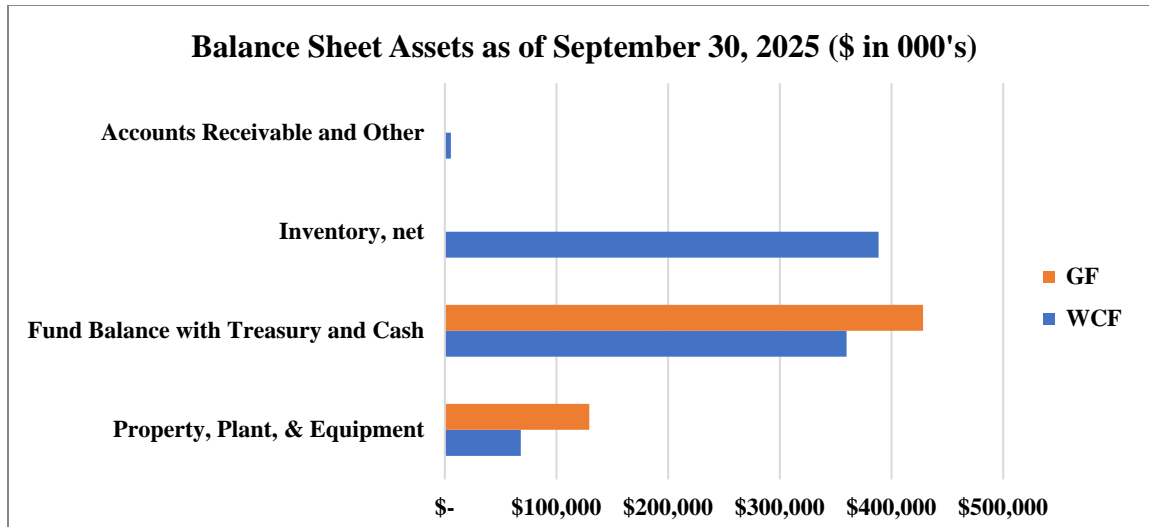
**Assets** – On September 30, 2025, DeCA reported assets of \$1.4 billion. Assets are the resources available to pay liabilities or satisfy future service needs of the Agency. DeCA's major categories of assets, as a percentage of total assets, are as follows:

## Balance Sheet Assets as of September 30, 2025



The following charts present comparative data of major asset balances as of September 30, 2025 within DeCA's funds along with discussions of significant information as needed.





*Accounts Receivable and Other* comprises less than 1 percent of DeCA's current year assets. These represent amounts primarily due from DeCA customers. Accounts receivable and other balances are made up of WCF at 99 percent and GF with 1 percent.

*Inventory, net* represents 28 percent of DeCA's current year assets and is comprised of grocery, meat, and produce items held for resale to DeCA patrons. Inventory balances are made up by 100 percent WCF.

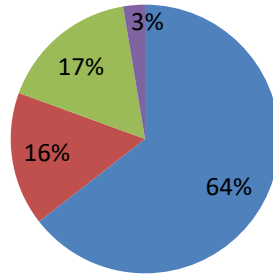
*Fund Balance with Treasury (FBWT) and Cash* represents 57 percent of DeCA's current year assets. Funding is primarily made available through the U.S. Department of the Treasury accounts from which DeCA makes expenditures to pay liabilities. FBWT also includes monies generated from sales at commissaries that have been deposited to an authorized financial institution. Cash consists of deposits that have been deposited in the authorized financial institution but not yet processed and sales that were not yet recorded in the accountable period due to end of month cutoffs in the accounting system. FBWT and Cash balances are split between the funds, WCF 46 percent and GF 54 percent respectively.

*Property, Plant and Equipment (PP&E), net* represents 14 percent of DeCA's current year assets, and is primarily comprised of capitalized real and personal property held to fulfill DeCA's mission of selling groceries to its patrons. PP&E is split between the funds, WCF 34 percent and GF 66 percent respectively.

**Liabilities** – On September 30, 2025, DeCA reported liabilities of \$592 million. Liabilities are probable and measurable future outflows of resources arising from past transactions or events. The following chart displays DeCA's major categories of liabilities as a percentage of total liabilities.

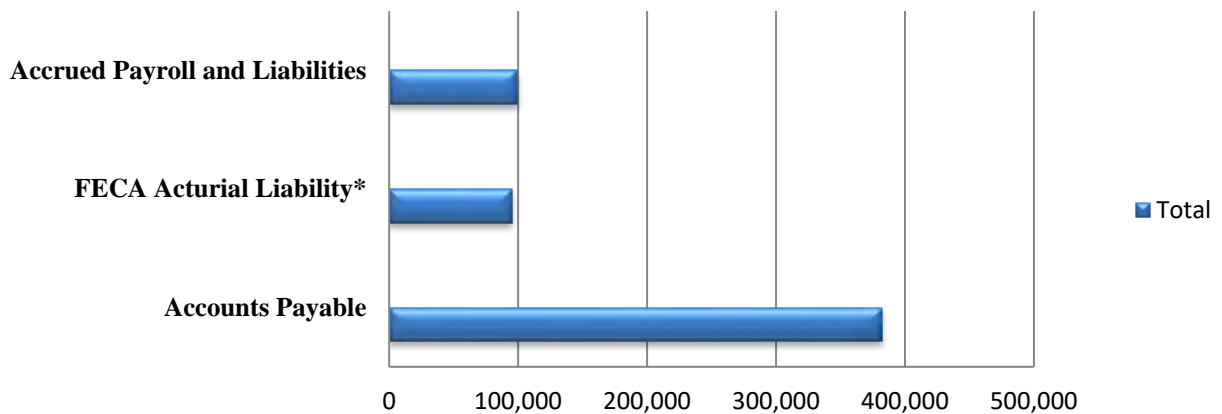
### Balance Sheet Liabilities as of September 30, 2025

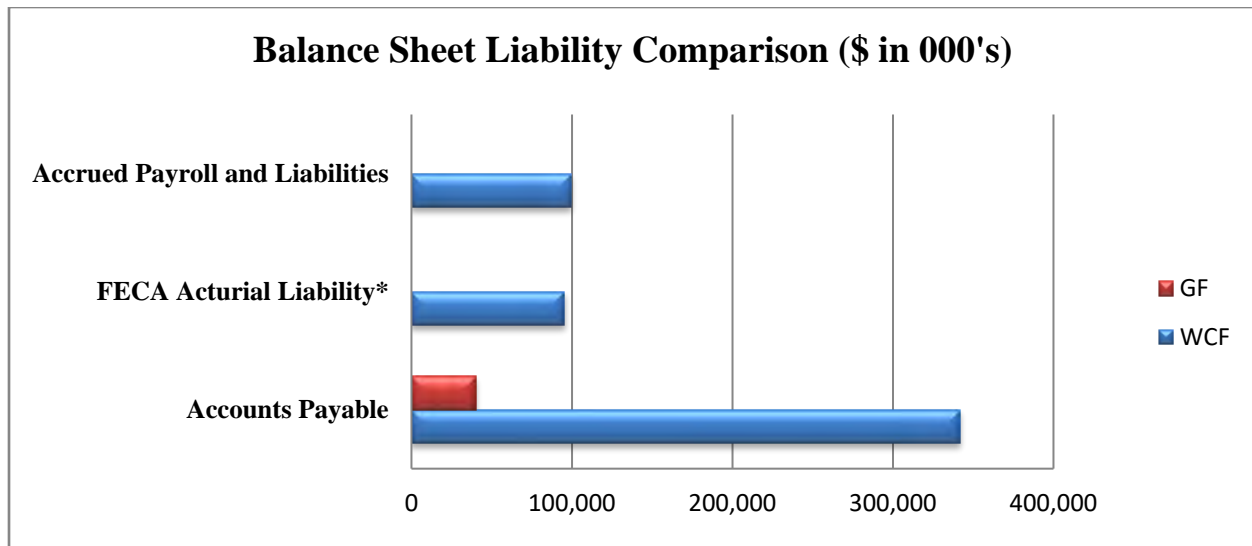
■ Accounts Payable
 ■ FECA Acturial Liability
 ■ Accrued Payroll and Liabilities
 ■ Lease Liabilities



The following chart presents comparative data of major liability balances as of September 30, 2025 within DeCA's funds along with discussions of significant information as needed.

### Balance Sheet Liability Comparison (\$ in 000's)





*Accrued Payroll and Liabilities* comprises 17 percent of DeCA's current year liabilities and includes liabilities for accrued payroll and benefits, foreign national separation pay and accrued leave. Accrued Payroll and Liabilities are 100 percent WCF.

*Federal Employees Compensation Act (FECA) Actuarial Liability* comprises 16 percent of DeCA's current year liabilities and consists of DeCA's expected liability for death, disability and medical costs for approved workers compensation cases as well as a component for incurred, but not reported claims. The Department of Labor (DOL) calculates the liability for the DoD, who in turn allocates a proportionate amount to DeCA based upon actual workers' compensation payments to DeCA employees over the preceding three years. Federal Employees Compensation Act (FECA) Actuarial Liability is 100 percent WCF

*Accounts Payable* comprises 64 percent of DeCA's current year liabilities and consists of DeCA's liability for goods and services delivered or received but not paid prior to year-end. Accounts payable is split between the funds, WCF 90 percent and GF 10 percent respectively. Additionally, Accounts Payable consists of payment made to other government activities 16 percent and other than governmental activities 84 percent.

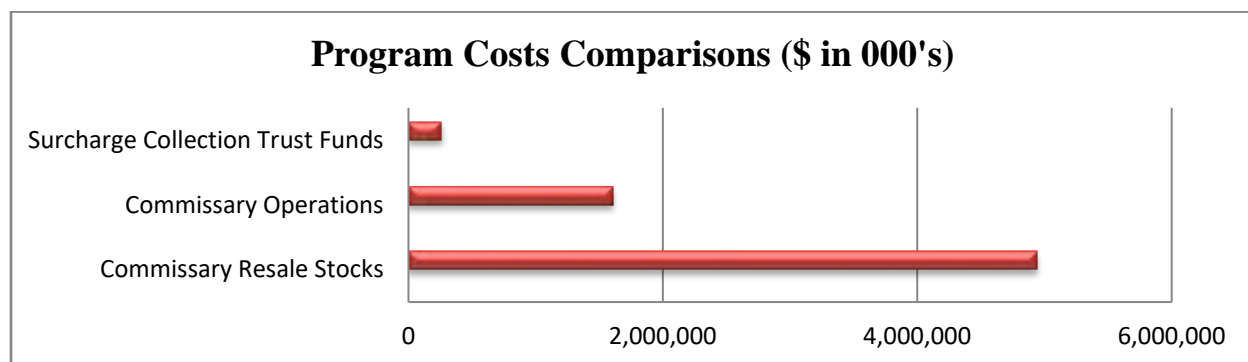
*Lease Liabilities* comprises 3 percent of DeCA's current year liabilities and includes liabilities for right-to-use lease assets comprising of equipment and vehicles. Lease liabilities are split between the funds, WCF 57 percent and GF 43 percent.

## Statements of Net Costs

The Statement of Net Cost represents the annual cost of operating DeCA programs. The gross costs for DeCA less the earned revenue from grocery sales and other revenue sources are used to derive DeCA's net cost of operations. DeCA's gross costs are primarily accounted for in the three major activity groups of DeCA:

- *Surcharge Collections Trust Fund* includes the costs to construct and remodel commissary facilities and to purchase and maintain computer systems and equipment at the store level;
- *Commissary Operations* includes the associated payroll and operational costs necessary to operate the commissary system; and
- *Commissary Resale Stocks* includes the costs to purchase resale inventory.

The chart below compares the gross costs between the three major DeCA activity groups.



## Statements of Changes in Net Position

The Statements of Changes in Net Position represents those accounting transactions that caused the net position of the balance sheet to change from the beginning to the end of the reporting period. Various financing sources increase net position, including appropriations transfers and imputed financing from costs paid by other Federal Agencies. DeCA's net cost of operations serves to reduce net position. DeCA's net position decreased by \$9 million, 1.08 percent as a result of net cost of operations.

## Statements of Budgetary Resources

This statement provides information on the budgetary resources available to DeCA for fiscal year 2025 and the status of budgetary resources at year-end. The outlays reported on this statement reflect the actual cash disbursed for the year by Treasury for DeCA's obligations. The budgetary resources remained relatively consistent when compared to prior year balances.



## Limitations of the Financial Statements

DeCA prepared its financial statements to report its financial position and results of operations, pursuant to the requirements established by the DoD to comply with the *Chief Financial Officers Act of 1990* and the *Government Management Reform Act of 1994*.

While DeCA's financial statements have been prepared from its books and records in accordance with U.S. generally accepted accounting principles, the financial statements are, in addition to the financial reports, used to monitor and control budgetary resources, which are prepared from the same books and records.

These financial statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity. The U.S. Congress cannot liquidate liabilities not covered by budgetary resources without the enactment of an appropriation, and the Federal Government, other than for contracts, can abrogate payment of all liabilities.

## Analysis of Systems, Controls and Legal Compliance

DeCA utilizes three separate accounting systems: Accounting Information and Management System (AIMS), Defense Agencies Initiative (DAI), and Standard Army Financial System (STANFINS) deemed critical to financial reporting and financial control.

**AIMS** - AIMS application maintains the physical inventory of groceries/value of sales/ inventory ledger account for each store. AIMS maintains a history of all financial transactions sent electronically to the financial accounting system; STANFINS, supporting our contracting and financial processes. AIMS transmits financial transactions to the DoD accounting system, STANFINS and generates store inventory accounts. AIMS also interfaces with the Defense Finance and Accounting Service (DFAS) systems to facilitate collection of funds and vendor payment. AIMS tracks anything that adjusts the inventory within a store – the total value within a single commissary.

**DAI** – is an enterprise system dedicated to addressing financial management improvements through standard end-to-end business processes delivered by Commercial Off the Shelf (COTS) software. DeCA relies on DAI for commissary operations and surcharge (non-resale business). Currently, DAI provides Budget-to-Report, Proposal-to-Reward, Cost Management, Order-to-Cash, Procure-to-Pay, Acquire-to-Retire, and Hire-to-Retire (including the DAI-Oracle Time and Labor module) capabilities for Fourth Estate organizations (i.e., Office of the Secretary of Defense (OSD), Defense Agencies, and DoD Field Activities).

**STANFINS** - The STANFINS is a mainframe computer-based financial management system that processes accounting transactions. DeCA relies on STANFINS for resale business transactions. System-generated financial and statistical reports support the administration and control of the collection and disbursement of appropriations for the Army. STANFINS performs Army

accounting transactions and reports to the offices under the DoD-wide Accounting. STANFINS operates on a mainframe system architecture environment using an IBM Z Operating System. Job Control Language (JCL) processes the Common Ordinary Business Oriented Language (COBOL) based software applications. DISA platform host the STANFINS mainframe modules. STANFINS is DeCA's general ledger for both CONUS and OCONUS locations.

Transformation efforts are underway for new system implementations and continue to be the forefront of DeCA's financial management improvement strategy. These efforts will enhance the integration of business processes, systems, and financial reporting to eliminate errors and ensure financial data is secure and auditable.

### **OMB Circular A-123, Managements Responsibility for Internal Controls over Financial Reporting, Appendix A**

OMB Circular A-123, Appendix A is fully implemented throughout DeCA. In FY 2025, 154 key controls were evaluated and assessed for effectiveness. Of those key controls, 81 percent were operating effectively, 8 percent of the controls were effective with exceptions, and 11 percent were determined ineffective. The key controls determined ineffective are under review to assess the risk and materiality to the agency before determining if any corrective actions are necessary. In addition to the 154 key controls, there were 83 Complimentary User Entity Controls (CUECs) tested this year. The results found 70 CUEC controls operating effectively.



CCR

**DEFENSE COMMISSARY AGENCY  
HEADQUARTERS AND SUPPORT CENTER  
1300 EISENHOWER AVENUE  
FORT LEE, VIRGINIA 23801-1800**

October 15, 2025

MEMORANDUM FOR: OFFICE OF THE UNDERSECRETARY OF DEFENSE,  
(COMPTROLLER) (OUSD(C))  
DEPUTY CHIEF FINANCIAL OFFICER

FROM: John E. Hall, Director, Defense Commissary Agency

SUBJECT: Annual Statement of Assurance Required Under the Federal Managers' Financial Integrity Act for Fiscal Year 2025

As Director of the Defense Commissary Agency (DeCA), I recognize DeCA is responsible for managing risks and maintaining effective internal control to meet the objectives of sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. DeCA conducted its assessment of risk and internal control in accordance with the Office of Management and Budget (OMB) Circular No. A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," and the Green Book, Government Accountability Office (GAO) 14-704G, "Standards for Internal Control in the Federal Government." Based on the results of the assessment, DeCA can provide assurance, except for the three Significant Deficiencies (SDs), one of which is for noncompliance, reported in the "Significant Deficiencies and Material Weaknesses Template" that internal controls over operations reporting and compliance are operating effectively as of September 30, 2025.

DeCA conducted its assessment of the effectiveness of internal controls over operations in accordance with OMB Circular No. A123, the GAO Green Book, and the FMFIA. Based on the results of the assessment, DeCA can provide reasonable assurance that internal controls over operations and compliance are operating effectively as of September 30, 2025.

DeCA conducted its assessment of the effectiveness of internal controls over reporting (including internal and external financial reporting) in accordance with OMB Circular No. A-123, appendix A. The Internal Control Evaluation (appendix C) section, provides specific information on how DeCA conducted this assessment. Based on the results of the assessment, DeCA can provide assurance, except for the two SDs reported in the "Significant Deficiencies and Material Weaknesses Template" that internal controls over reporting (including internal and external reporting) and compliance are operating effectively as of September 30, 2025.

DeCA also conducted an internal review of the effectiveness of the internal controls over the integrated financial management systems in accordance with FMFIA and OMB Circular No. A-123, appendix D. Based on the results of this assessment, DeCA can provide assurance, except for the one nonconformance reported in the "Significant Deficiencies and Material Weaknesses Template," that the internal controls over the financial systems are in compliance with the FMFIA, section 4; FMFIA, section 803; and OMB Circular No. A-123, appendix D, as of September 30, 2025.

Your Commissary ... It's Worth the Trip!

DeCA has conducted an assessment of entity-level controls including fraud controls in accordance with the Green Book, OMB Circular No. A-123, the Payment Integrity Information Act of 2019, and GAO Fraud Risk Management Framework. Based on the results of the assessment, DeCA can provide reasonable assurance that entity-level controls including fraud controls are operating effectively as of September 30, 2025.

DeCA is hereby reporting that no Anti-Deficiency Act (ADA) violations have been discovered or identified during our assessments of the applicable processes or ADA violations have been discovered or identified during our assessments of the applicable processes.

DeCA demonstrates commitment to upholding the prescribed guidelines, legal obligations, and business requirements when exercising the Presidential Drawdown Authority (PDA).

If there are any questions regarding this statement of assurance for FY 2025, my point of contact is Mrs. Rosie Leonard-Greer and can be reached at 804-734-8000, ext. 48622 or [Rosie.Leonard-Greer@deca.mil](mailto:Rosie.Leonard-Greer@deca.mil).



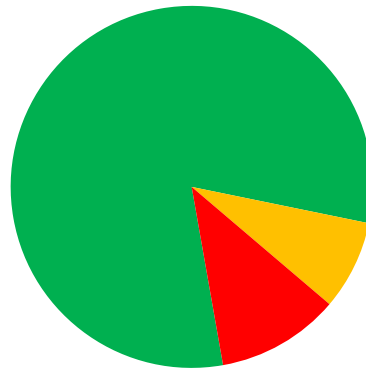
John E. Hall  
Director



## Internal Controls Over Financial Reporting



### FY 2025 Test Results



154 Test Performed   ■ 125 Effective (81%)  
■ 12 w/ Exceptions (8%)   ■ 17 Ineffective (11%)

### Management Assurance

DeCA is committed to ensuring the integrity of their systems and controls as well as compliance with applicable laws and regulations. The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires federal agencies to evaluate and report on the effectiveness of the organization's internal controls to support effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. DeCA conducted its assessment of the effectiveness of internal controls over operations in accordance with OMB Circular No. A-123, the GAO Green Book, and the FMFIA. Based on the results of this assessment, DeCA can provide reasonable assurance that internal controls over operations and compliance are operating effectively as of September 30, 2025.

Additionally, DeCA conducted its assessment of the effectiveness of internal controls over reporting (including internal and external financial reporting) in accordance with OMB Circular No. A-123, Appendix A. Based on the results of the assessment, DeCA can provide assurance, except for the two Significant Deficiencies reported in the Significant Deficiencies and Material Weaknesses Template that internal controls over reporting (including internal and external reporting) and compliance are operating effectively as of September 30, 2025.

DeCA also conducted an internal review of the effectiveness of the internal controls over the integrated financial management systems in accordance with FMFIA and OMB Circular No. A-123, Appendix D. Based on the results of this assessment, can provide assurance, except for the one nonconformance reported in the Significant Deficiencies and Material Weaknesses Template that the internal controls over the financial systems are in compliance with the FMFIA, Section 4; FFMIA, Section 803; and OMB Circular No. A-123, Appendix D, as of September 30, 2025.

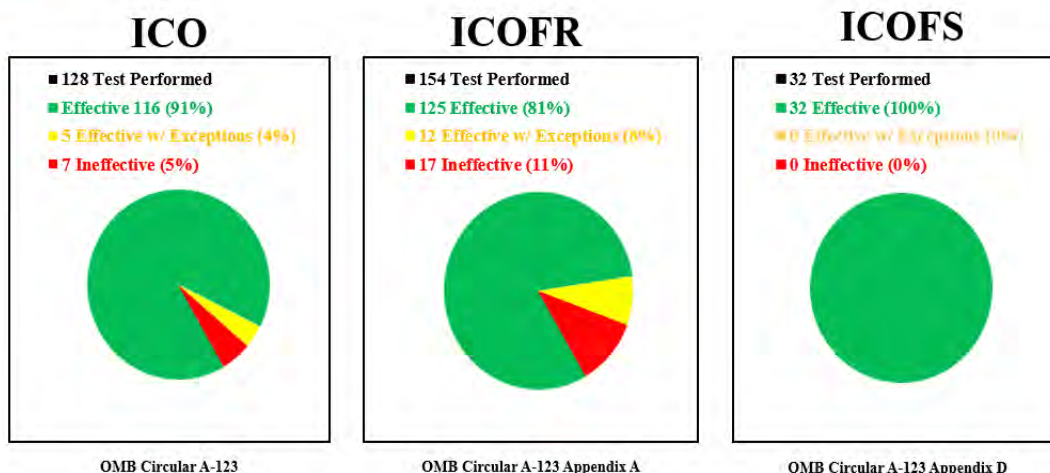
DeCA conducted assessments of entity-level controls including fraud controls IAW the Green Book, OMB Circular No. A-123, the Payment Integrity Information Act of 2019, and GAO Fraud Risk Management Framework. Based on the results of the assessment, DeCA can provide reasonable assurance that entity-level controls, including fraud controls, are operating effectively as of September 30, 2025.

FFMIA requires the Department of Defense (DoD or Department) to implement and maintain systems that comply substantially with Federal financial management system requirements, applicable Federal accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level. DeCA's legacy financial systems are not compliant with federal financial management system requirements and the USSGL at the transaction level. To meet these requirements, DeCA, jointly with the DoD, is actively working on improving the system-wide architecture to ensure compliance with FFMIA. These remediation activities are underway as DeCA is in the process of implementing a new system allowing for future migration to a fully transparent and integrated financial business resale system. DeCA's proposed timeline for transition to Enterprise Business System, TDD, and DAI GL pass-through is 30 September, 2026. Once these are complete, DeCA will be on two end-to-end business enterprise systems that provide the ability to report within the USSGL and Standard Financial Information Structure (SFIS) compliance requirements.

The chart on the following page illustrates the results of the FY 2025 Risk Management and Internal Control (RMIC) program. Testing results outline the three areas of internal controls (1) Internal Controls over Operations (ICO); (2) Internal Controls over Financial Reporting (ICOFR); and (3) Internal Controls over Financial Systems (ICOFS):



## FY 2025 RMIC Test Results



### Legal Compliance

The Anti-Deficiency Act (ADA), which is codified in *31 U.S.C. §§1341(a) (1), 1342, and 1517(a)*, stipulates that federal agencies may not obligate or expend funds in excess of the amount available in an appropriation, or fund, or in advance of appropriations; accept voluntary services on behalf of the Federal Government or employ personal services in excess of that authorized by law, except as it may be necessary in emergencies involving the safety of human life or the protection of property; or obligate, authorize, or expend funds that exceed an apportionment or amount permitted by a regulation prescribed for the administrative control of an appropriation.

An ADA violation is a serious matter as it represents a violation of a federal statute. A federal employee who violates the ADA may be subject to administrative sanctions (such as suspension from duty without pay or removal from office) and/or penal sanctions (such as fines or imprisonment). Confirmed ADA violations are reported to the President of the United States through the Director of the OMB, Congress, and the Comptroller General of the United States.

During FY 2025, DeCA had no Anti-Deficiency Act violations discovered/identified during our assessments of the applicable processes.



## Performance Management Results

DeCA uses an Agency performance process that measures achievement of the Agency's high-level strategic goals and targeted outcomes. This approach brings together key management, financial, and nonfinancial performance measures that allow DeCA to clarify Agency vision and strategic direction. We conduct quarterly data calls and metric reviews that assess the progress toward achieving the goals, objectives, and initiatives of our Strategic Plan. The Agency's overall performance for FY 2025 is summarized below.

Performance Element	FY 2025 Goal	FY 2025 Actual
<b>Customer Savings (Global Average)</b>	25.0%	25.2%
<b>Customer Satisfaction (CSAT) Score</b>	$\geq 80$	87.8
<b>Projected Sales</b>	\$4.875B	\$4.831B
<b>Projected Transactions</b>	69,450,487	73,411,909

**Customer Savings:** The projected percentage of patron savings was revised to 25.0 percent savings as of FY 2023. The Customer Savings results were rebase-lined for FY 2023 and beyond, using a revised methodology to measure patron savings which builds on DeCA's prior approach by incorporating a market basket component of items with local competitor comparisons of the items. The FY 2025 annual global savings result is 25.2 percent, which exceeded the baseline goal of 25.0 percent.

**Customer Satisfaction (CSAT) Score:** Customer Experience Purchaser Surveys provide real-time customer service feedback through the use of the ForeSee survey platform and scoring methodology. The ForeSee framework modeling analysis uses a structural equation algorithm to evaluate customers' post-experience thought processes to examine how well the experience fulfilled the user's needs or desires; met the user's expectations; and compares to a hypothetical ideal experience for the user. This modeling analysis is used to derive an overall customer satisfaction score (CSAT) and replaced the former annual Commissary Customer Service Survey (CCSS) after FY 2023. The CSAT results for FY 2025 are 87.8, which is above the target of  $> 80$ .

**Projected Sales and Transactions:** These measures compare the Agency's projected sales and transactions goals to results. DeCA continues to implement and refine programs aimed at bringing customers back to military resale and growing the basket dollar value of Commissary

customers. This effort uses revenue accelerators such as implementing delivery, increasing produce to 11% of sales, executing a flawless Key Value Item (KVI) pricing strategy, selling fresh seafood in all stores, entering categories that patrons expect to find in a grocery store, and conducting a thorough category performance review. FY 2025 sales results are \$4.831B, an increase of 0.9% above last year's sale figures but below the target goal of \$4.875B. FY 2025 customer transaction results are 72,132,746, 3.9% above the prior year results of 69,450,487. This slightly negative trend was caused by the closure of Forest Glen Commissary for all of FY 2025 and by the partial FY 2025 closure of the Mitchel Field Commissary.

## **Continuous Process Improvement & Change Management**

DeCA continued its Continuous Process Improvement (CPI) program in FY 2025 through training, mentorship and coaching, and project analysis and execution. During the year, CPI practitioners conducted several mentoring sessions in order to facilitate the certification of Black Belt candidate topics for facilitating and coaching CPI teams for various initiatives. The FY 2025 Agency CPI process identified cost avoidance areas and reduction of process cycle times for various project areas and process improvement efforts comprising the following areas: working with MP to highlight Joint Business Planning tasks within the category review process for more standardization and efficiencies; item allocation process streamlining; pricing execution improvements; creation of a food traceability process; fresh fruits and vegetables improvements by tiger teams; internal communication process improvements within the Agency; identifying safety and engineering improvements for further action; and EBS 2.0 planning. Additionally, the Agency re-enforced procedures in Director's Policy DP-500-40, Continuous Process Improvement, during project meetings and maintained a project repository of all CPI efforts.

DeCA's Change management (CM) strategies assist in articulating the rationale behind process improvements, linking them to strategic objectives, and gaining leadership support and commitment. Aligning with strategic objectives emphasizes the importance of aligning CPI efforts with broader organizational goals and strategies to maximize impact and ensure sustainability. Understanding CM within the context of CPI refers to the structured approach used to plan, communicate, and implement changes in processes, systems, and behaviors. It focuses on minimizing resistance, maximizing employee engagement, and ensuring improvements are embraced throughout the organization. Effective CM is crucial in overcoming resistance to change, a common barrier in CPI initiatives. By involving stakeholders early, communicating transparently, and addressing concerns proactively, organizations can foster a culture of acceptance and readiness for change.

## **Innovation**

DeCA's Innovation Program provides employees with multiple opportunities to share ideas, present solutions, and collaborate to find new efficiencies in commissary operations. The Improve DeCA's Efficiency and Service (IDEAS) program recognizes and rewards employees for suggestions that contribute to the efficiency, economy, and effectiveness of DeCA operations.

DeCA's "IDEATION" platform is an online discussion forum that facilitates in-depth conversation among Agency employees, allowing them to connect from across the Agency and collaborate on process improvements and best practices. This internal communication tool provides all DeCA employees a platform to voice suggestions and participate in organizational improvements. Along with collaborative idea sharing and process improvement suggestions, the forum promotes greater job satisfaction, strengthens culture, and enhances overall organizational effectiveness.

To address evolving strategic and operational needs, the DeCA Director utilizes the Director's Innovation Challenge to solicit solutions for key agency challenges directly from the workforce. Once the challenge is complete, the Director reviews all vetted submissions and selects a winner. The Innovation Challenge is a merit-based program, and winners are rewarded for their implemented ideas.

## **Summary**

DeCA values its role in providing a benefit that enhances the quality of life and readiness of our military community. Embedded in our goals is the focus on building sales and offering savings while collaborating with the entire military resale community. We continue to step up our technology capabilities to ensure we have the right products at the right price at the right time on well-stocked shelves. As a good steward of this core readiness support element and valued part of the military benefit, it is essential to strengthen a performance-driven, results-focused, agile, and accountable Agency. Efforts to continually refine our processes and culture will translate to improved results and continued relevance for our stakeholders. We are focused on offering the best savings possible to all our authorized customers and maintaining the relevance of the commissary benefit for years to come.

## Section II

### Financial Section



## **Message from the Chief Financial Officer**

It is my pleasure to present the Fiscal Year (FY) 2025 Agency Financial Report (AFR) with accompanying Financial Statements and Footnotes for the Defense Commissary Agency (DeCA). This report reflects the accountability and transparency associated with prudent financial and fiscal stewardship. Throughout it all, we diligently focused on delivering the critical benefit to our military families and other authorized patrons as we remain laser focused on our vision, “To be THE grocery provider of choice for our eligible Patrons – delivering a vital benefit exclusively for our military community and their families.”

During FY 2025, our team has showcased exceptional agility, consistently providing the necessary expertise and resources to uphold our unmodified opinion. The DeCA Resource Management (RM) team remains steadfast in fostering a culture of efficiency, always through a patron-focused lens as we prepare for the upcoming fiscal year. Key accomplishments for the RM team this fiscal year include:

- Continued to partner with the Defense Health Agency (DHA) to provide Women, Infants and Children Overseas (WICO) benefits to our Overseas patrons. While efforts to transition the WICO process to E-WIC progress, we’ve continued to manually issue vouchers with 30-day extensions. The transition to E-WIC is expected to occur within the first quarter fiscal year 2026.
- Progressed toward full G-Invoicing implementation. Currently, OCONUS oversees 98 agreements, of which 45 were approved in FY2025. 43 agreements are actively progressing toward finalization. CONUS oversees 180 agreements, of which 48 were approved in FY2025. 39 agreements are actively moving toward finalization. In FY2026, the total number of agreements will be reduced due to the approval of an Enterprise Level Agreement (ELA) with the Defense Logistics Agency (DLA) and an ELA with the Installation Management Command (IMCOM). These initiatives will reduce the total number of agreements by 35%.
- Executed the first local Europe contract for the physical store inventories resulting in a cost savings of \$800K compared to the previous year’s world-wide contract. Execution of the local contract resulted in utilization of less hours for store counts and a significant process improvement.
- Created a risk management assessment for the Standard Automated Voucher Examination System (SAVES) in accordance with the Office of the Under Secretary of Defense memorandum that required all Department of Defense agencies to conduct risk assessments for all payment systems. Strategic coordination with our Office of the Under Secretary of Defense (Comptroller) and Defense Finance Accounting Service (DFAS) partners enabled DeCA to provide the detailed process, including invoice and receipt generation, internal controls, and transmission of the payment files to DFAS. The review determined that the potential for fraud related to SAVES was low.

Our valued patrons, dedicated employees, visionary leadership, and committed stakeholders remain at the heart of sustaining the long-standing commissary benefit. We are devoted to ensuring the continuation and enhancement of this benefit by employing robust financial management practices and

---

delivering high-quality financial data to inform strategic decisions. As we look ahead, our team's exceptional dedication and efforts make me immensely proud to serve as DeCA's Acting Chief Financial Officer. Moving forward, we are unwavering in our commitment to provide unparalleled support, ensuring our deserving patrons can continue to enjoy their commissary benefit.

LEONARD-GREER.ROSIE.MA RIE.1112028311

Digitally signed by LEONARD-GREER.ROSIE.MARIE.1112028 311  
Date: 2025.12.09 08:31:28 -05'00'



Rosie Leonard-Greer  
Acting Chief Financial Officer



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
BALANCE SHEET  
As of September 30, 2025  
(amounts in thousands)**

Assets	2025
Intragovernmental Assets	
Fund Balance with Treasury (Note 3)	\$ 707,319
Accounts Receivable, Net (Note 5)	5,850
Total Intragovernmental Assets	<u>713,169</u>
Other than Intragovernmental Assets	
Cash (Note 4)	80,672
Inventory and Related Property, Net (Note 6)	388,391
Property, Plant, and Equipment, Net (Note 7)	197,402
Other Assets (Note 8)	(410)
Total Other than Intragovernmental Assets	<u>666,055</u>
<b>Total Assets</b>	<b><u>\$ 1,379,224</u></b>
<b>Liabilities (Note 9)</b>	
Intragovernmental Liabilities	
Accounts Payable	\$ 59,915
Other Liabilities (Note 9)	24,486
Total Intragovernmental Liabilities	<u>84,401</u>
Other than Intragovernmental Liabilities	
Accounts Payable	321,992
Federal Employee Salary, Leave, and Benefits Payable	75,104
Pension and Post-Employment Benefits Payable	95,352
Other Liabilities	15,514
Total Other than Intragovernmental Liabilities	<u>507,962</u>
<b>Total Liabilities</b>	<b><u>\$ 592,363</u></b>
Commitments and Contingencies (Note 12)	
<b>Net Position</b>	
Unexpended Appropriations	
Funds from Other than Dedicated Collections	\$ 368,124
Total Unexpended Appropriations (Consolidated)	<u>368,124</u>
Cumulative Results of Operations	
Funds from Dedicated Collections (Note 13)	510,933
Funds from Other than Dedicated Collections	(92,196)
Total Cumulative Results of Operations (Consolidated)	<u>418,737</u>
<b>Total Net Position</b>	<b><u>\$ 786,861</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 1,379,224</u></b>

*The accompanying notes are an integral part of the financial statements.*

**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
STATEMENT OF NET COST  
For the Fiscal Year Ended September 30, 2025  
(amounts in thousands)**

Gross Costs	<u>2025</u>
Gross Costs	\$ 6,804,767
(Less: Earned Revenue)	<u>(5,095,687)</u>
<b>Net Cost of Operations (Note 14)</b>	<b><u>\$ 1,709,080</u></b>

*The accompanying notes are an integral part of the financial statements.*



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
STATEMENT OF CHANGES IN NET POSITION  
For the Fiscal Year Ended September 30, 2025  
(amounts in thousands)**

	2025		
	Dedicated Collections	All Other Funds	Consolidated Total
<b>Unexpended Appropriations</b>			
Beginning Balance	\$ -	\$ 302,368	\$ 302,368
Appropriations Transferred In/(Out)	-	1,570,187	1,570,187
Appropriations Used	-	(1,504,431)	(1,504,431)
Net Change in Unexpended Appropriations	\$ -	\$ 65,756	\$ 65,756
<b>Total Unexpended Appropriations: Ending</b>	<b>\$ -</b>	<b>\$ 368,124</b>	<b>\$ 368,124</b>
<b>Cumulative Results of Operations</b>			
Beginning Balances	\$ 500,989	\$ (7,911)	\$ 493,078
<b>Financing Sources</b>			
Appropriations Used	-	1,504,431	1,504,431
Non-Exchange Revenue (Note 1)	-	15,829	15,829
Transfers In/(Out) Without Reimbursement	17	(91)	(74)
Imputed Financing	23,208	91,345	114,553
Total Financing Sources	23,225	1,611,514	1,634,739
Net Cost of Operations	13,281	1,695,799	1,709,080
Net Change in Cumulative Results Operations	9,944	(84,285)	(74,341)
<b>Cumulative Results of Operations: Ending (Note 14)</b>	<b>\$ 510,933</b>	<b>\$ (92,196)</b>	<b>\$ 418,737</b>
<b>Net Position</b>	<b>\$ 510,933</b>	<b>\$ 275,928</b>	<b>\$ 786,861</b>

*The accompanying notes are an integral part of the financial statements.*

**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
STATEMENT OF BUDGETARY RESOURCES  
For the Fiscal Year Ended September 30, 2025  
(amounts in thousands)**

	<u>2025</u>
<b>Budgetary Resources</b>	
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	\$ 317,309
Appropriations (Discretionary and Mandatory) (Note 11)	1,570,187
Contract Authority (Discretionary and Mandatory) (Note 11)	4,917,889
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	251,359
Total Budgetary Resources	<u>\$ 7,056,744</u>
<b>Status of Budgetary Resources</b>	
New Obligations and Upward Adjustments (Total)	\$ 6,808,034
Unobligated Balance, End of Year:	
Apportioned, Unexpired Accounts	248,713
Unexpired Unobligated Balance, End of Year	248,713
Unobligated Balance, End of Year (Total)	248,713
Total Budgetary Resources	<u>\$ 7,056,747</u>
<b>Outlays, Net:</b>	
Outlays, Net (Total) (Discretionary and Mandatory)	\$ 1,562,703
Agency Outlays, Net (Discretionary and Mandatory)	<u>\$ 1,562,703</u>

*The accompanying notes are an integral part of the financial statements.*

**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**A. Description of Reporting Entity**

The Defense Commissary Agency (DeCA) is a component of the Department of Defense (DoD) reporting to the Under Secretary of Defense for Personnel and Readiness. The DeCA is headquartered at Fort Lee, Virginia and operates a worldwide system of 234 commissaries. Additionally, the DeCA operates 8 central distribution centers (CDCs), 1 central meat processing plant (CMPP) and 4 Navy Exchange Marts (Nexmarts) in Europe and the Overseas Pacific. Six area offices provide localized management and support for the agency's commissaries. Four of these offices, East, Central, Pacific and West, manage stores in the continental United States (US) and Puerto Rico. The other two area offices, Europe and the Overseas Pacific, manage stores in Europe and Asia.

In 1989, the House Armed Services Committee appointed the Jones Commission to analyze the commissary systems (i.e., grocery stores or supermarkets) operated by the four military services. In order to provide better service to military patrons at a lower cost, the Commission recommended consolidation of the four separate commissary systems, which established DeCA on October 1, 1991.

The DeCA's mission is to deliver a vital benefit of the military pay system that sells grocery items, enhancing quality of life and readiness of service members and their families. Enhancing readiness enables troops to focus on the mission while deployed. Also, improving retention by providing a "sense of community" for military personnel and their families; providing a safe, secure shopping environment, both in overseas and stateside locations; and providing American products worldwide while ensuring food safety.

The DeCA is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component to the U.S. Government.

As an agency of the federal government, the DeCA is exempt from all income taxes imposed by any governing body whether it is a federal, state, commonwealth, local, or foreign government.

Note 13 – "Funds from Dedicated Collections" provides detailed information.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

**B. Classified Activities**

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information. Reference, Statements of Federal Financial Accounting Standards (SFFAS) 56, *Classified Activities*.

**C. Basis of Presentation and Accounting**

These financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and sources and availability of budgetary resources. The financial statements have been prepared from the books and records of DeCA in accordance with accounting principles generally accepted in the United States (U.S.) and DoD accounting policies, which are summarized in this note.

Transactions are recorded on both an accrual accounting basis and budgetary accounting basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of Federal funds. Liabilities not covered by budgetary resources represent amounts owed in excess of available appropriated funds. The liquidation of liabilities not covered by budgetary resources is dependent on future congressional appropriations.

The accompanying principal financial statements have been prepared to report the financial position, net cost, change in net position, and budgetary resources of DeCA in accordance with United States Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as revised.

**D. Non-Entity Assets**

The DeCA has stewardship accountability and reporting responsibility for non-entity assets.

Note 2 – “Non-Entity Assets” provides detailed information.

**E. Fund Balance with Treasury (FBWT)**

The FBWT represents the aggregate amount of funds in DeCA’s accounts with Treasury. FBWT primarily represents appropriated, revolving, and trust funds that are available to pay current liabilities and finance authorized purchases.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

The FBWT represents the aggregate amount of the DeCA's available budget spending authority available to pay current liabilities and finance future authorized purchases. The DeCA's monetary resources of collections and disbursements are maintained in Department of the Treasury (Treasury) accounts. The disbursing offices of the Defense Finance and Accounting Service (DFAS), the Military Departments, the U.S. Army Corps of Engineers (USACE), and the Department of State's financial service centers process the majority of the DeCA's cash collections, disbursements, and adjustments worldwide. Monthly, each disbursing station reports to the Treasury on checks issued, electronic fund transfers, interagency transfers, and deposits. The model of using DoD's disbursing systems instead of Treasury's system is recognized by Treasury as Non-Treasury Disbursing Office (NTDO). DoD is actively migrating NTDO transactions to TDO under the TDO Enterprise Strategy effort. TDO is DoD's target end state of executing payments and collections directly between DoD and Treasury using Treasury's systems and Treasury as the Service Provider. This posture will allow DoD to achieve FBWT accountability and traceability through daily reconciliation and reporting directly with Treasury.

FBWT is an asset of the Department and a liability of the General Fund. Similarly, investments in Federal Government securities held by dedicated collections accounts are assets of the DeCA and liabilities of the U.S. Government General Fund. In both cases, the amounts represent commitments by the U.S. Government to provide resources for particular programs, but they do not represent net assets to the Government as a whole.

When the DeCA seeks to use FBWT or investments in Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public, if in cases of a budget deficit.

In addition, the DeCA reports to the Treasury by appropriation on interagency transfers, collections received, and disbursements issued. The Treasury records these transactions to the applicable FBWT account.

Note 3 – "Fund Balance with Treasury" provides detailed information.

**F. Cash and Other Monetary Assets**

Cash primarily consists of collections from sales occurring during the last several days of the reporting period that have been deposited into financial institutions but are not yet credited to the DeCA's FBWT.

Cash is the total of cash resources under the control of The DeCA, including coins, paper currency, negotiable instruments, and amounts held for deposit in banks and other financial institutions. Foreign currency consists of the total U.S. dollar equivalent of both foreign currencies exchanged for U.S. dollars and foreign currency received as payment for goods or services. Foreign currency is valued using the [Treasury prevailing rate of exchange](#). The TFM Volume I, Part 2, [Chapter 3200](#), provides guidance for accounting and reporting foreign currency.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

Note 4 – “Cash” provides detailed information.

**G. Accounts Receivable, Net**

Accounts receivable consists of amounts owed to DeCA by other Federal agencies and the public. Federal accounts receivable generally arise from the provision of goods and services to other Federal agencies. As of 3<sup>rd</sup> quarter FY 2020 allowance for doubtful accounts is deemed necessary for Federal accounts receivable.

Receivables from the public generally arise from manufacturer-related transactions, which are associated with the sale of grocery, meat, and produce items to authorized patrons. An allowance for doubtful accounts is established for reporting purposes based on experience in the collection of accounts receivable and analysis of outstanding balances using the percentage of receivables. The allowance is adjusted accordingly at the time of collection or write-off during the fiscal year.

**H. Inventory, Net**

Inventory consists primarily of grocery, meat, and produce items and is held for sale to authorized commissary patrons at the lowest possible cost, it then sells that inventory at retail cost which is inclusive of cost-plus variable pricing.

Currently, inventory is valued at the latest acquisition cost with an allowance account established for holding gains and losses. Holding gains and losses are recognized monthly and the unrealized holding gains and losses are included in the ending inventory value.

Inventory balances for each store are adjusted based on aggregate purchases and sales, transfers, and other adjustments. Store managers are expected to maintain and update EBS inventory operating system product level balances on hand for accuracy. Proper balances ensure efficient and timely balances for ordering that is in alignment with sales expectations. In addition, these balances are used as part of the deviation assessment when analyzing store inventory valuations on the financial records to the formal inventories performed. In FY 2025, DeCA was able to complete 235 formal inventories. Upon adjustment for the unrealized holding gains and losses, the latest acquisition cost results in an approximation of historical cost. The percentage of holding gains and losses that are recognized each month is the ratio of sales to beginning inventory plus purchases. This percentage is usually about 90%.

Note 6 – “Inventory and Related Property Net” provides detailed information.

**I. General Property, Plant, and Equipment (PP&E), Net**

General PP&E consists of software, equipment, and construction-in-progress. PP&E is stated at acquisition cost, less accumulated depreciation/ amortization. DoD establishes capitalization and depreciation policies for PP&E.



**DEPARTMENT OF DEFENSE**  
**DEFENSE COMMISSARY AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2025**  
*(Except as noted, all dollar amounts are in thousands)*

PP&E acquisitions are capitalized if they have an estimated useful life of two or more years, are not intended for sale in the ordinary course of operations, are acquired or constructed with the intention of being used or being available for use by the entity and meet the capitalization threshold of \$250. This capitalization threshold applies to asset acquisitions and modifications/improvements placed into service after September 30, 2013. PP&E acquired prior to October 1, 2013, were capitalized at prior threshold levels (\$100 for equipment).

Depreciation is recognized on all PP&E, except construction-in-progress, on the straight-line basis over the estimated useful life of the asset. The useful lives are currently five to ten years for software and equipment. The month available for service method is used for all capital assets.

At September 30, 2020, DeCA transferred all buildings and improvements to the military service lines and in FY 2023 began recording imputed financing costs related to depreciation and use of buildings in DeCA's operations. Depreciation related imputed financing cost is described in Note 1M.

Note 7 "General Property, Plant and Equipment, Net" provides detailed information.

**J. Leases**

Lease payments for the rental of equipment, internal use software, and operating facilities are classified as either intragovernmental, short term or right to use lease asset. When a lease substantially transfers all the benefits and risks of ownership to the DeCA, the DeCA records the applicable asset as though purchased, with an offsetting liability, and records depreciation on the asset. The DeCA records the asset and liability at the present value of the rental and other minimum lease payments during the lease term (excluding portions representing executory costs paid to the lessor). The discount rate for the present value calculation is either the lessor's implicit interest rate or the government's incremental borrowing rate at the inception of the lease. The DeCA, as the lessee, receives the use and possession of leased property (e.g., real estate or equipment) from a lessor in exchange for payments of funds.

An intragovernmental lease is a contract or agreement occurring within a consolidation entity or between two or more consolidation entities as defined in SFFAS 47, Reporting Entity whereby one entity (lessor) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration.

A right to use lease asset deemed "operating leases" for budgetary treatment does not substantially transfer all the benefits and risks of ownership to the DeCA. Payments for right to use lease asset deemed operating leases are expensed over the lease term. Office space leases entered into by the DeCA are the largest component of leases. For additional information, see Note 10 Leases.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

**K. Accrued Payroll and Liabilities**

Accrued payroll and liabilities consist of payments DeCA owes to the Department of Labor (DOL) for workers' compensation paid under Federal Employees Compensation Act (FECA), accrued payroll and benefits (including employer contributions and payroll taxes), foreign national separation pay, and accrued leave.

*Workers' Compensation.* FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. DOL is responsible for administering the program and making payments for claims from eligible individuals. Subsequently, DOL bills the respective Federal agencies for those claims. The actuarially determined liability related to workers' compensation is described in Note 1.L.

*Accrued Payroll and Benefits.* Accrued payroll and benefits includes the portion of employee compensation earned, but not paid, at the end of the reporting period along with DeCA's share of associated taxes, benefits, and retirement plan contributions.

*Foreign National Separation Pay.* DeCA operates in numerous foreign countries. These countries establish tariff agreements that outline certain employment terms and conditions related to its citizens. Under these tariff agreements, citizens for certain countries are entitled to special pay in the event their employment is terminated.

*Accrued Leave.* Federal employees' annual leave is accrued as it is earned. The accrual is reduced annually for actual leave taken and increased for leave earned. Each year, the accrued annual leave balance is also adjusted to reflect the latest pay rates. To the extent current or prior year appropriations are not available to fund accrued leave earned, but not taken, funding will be obtained from future financing sources.

Note 9 – "Liabilities" provides specific detailed information.

**L. Actuarial Liability**

In addition to the liabilities discussed above, DeCA records an actuarial liability for its workers' compensation benefits. This liability, which is developed by DOL and provided to DoD after the end of each fiscal year, includes the expected future costs associated with death, disability, medical, and miscellaneous items for approved compensation cases. DOL determines the liability using a method that employs historical benefit payment patterns to predict the ultimate payments. The projected annual benefit payments are then discounted to the present value using the OMB's economic assumptions for 10-year U.S. Treasury notes and bonds. DoD uses a three-year moving average to distribute the actuarial liability to the various DoD agencies based on actual costs incurred by the respective DoD components.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

**M. Imputed Financing and Costs**

DeCA recognizes imputed financing related to Federal retirement plans, health benefits, and life insurance, and buildings and improvements used in operations.

The DeCA applies SFFAS 33, Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates, in selecting the discount rate and valuation date used in estimating Military Retirement Benefit actuarial liabilities. In addition, gains and losses from changes in long-term assumptions used to estimate the actuarial liability are presented separately on the Statement of Net Cost.

Refer to Note 9, Federal Employee Benefits Payable for additional information.

*Retirement Plans.* There are two primary retirement systems for Federal employees. Employees hired before January 1, 1984, may participate in the Civil Service Retirement System (CSRS). On January 1, 1984, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security.

Employees hired before January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which DeCA automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay.

DeCA does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of U.S. Office of Personnel Management (OPM). DeCA recognizes an imputed financing source for the difference between its contributions to Federal employee pension and other retirement benefits and the estimated actuarial costs as computed by the OPM.

*Health Benefits and Life Insurance.* The majority of DeCA employees are authorized to participate in the Federal Employees' Health Benefit (FEHB) program and the Federal Employees Group Life Insurance (FEGLI) program, which are administered by OPM. DeCA recognizes an imputed financing source and a program expense for these benefits.

*Use of Buildings Owned by Other Military Services.* The imputed financing costs are based on a 45-year useful life for buildings, structures, and facilities. The actual commencement of depreciation was based on the mid-year convention method for buildings. Under the mid-year convention method, six months of depreciation is computed and expensed in the first and last year of an asset's useful life regardless of the actual month an asset was placed in or removed from service. Imputed financing costs for depreciation of buildings and improvements used by DeCA in operations are calculated based on DeCA's property records for property transferred to the Military Departments. The military departments were provided the imputed cost for buildings and improvements located on their specific installations at the end of FY 2022.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

**N. Other Liabilities**

Other liabilities also arise as a result of anticipated disposal costs for The DeCA's assets. Consistent with [SFFAS No. 6, "Accounting for Property, Plant and Equipment,"](#) recognition of an anticipated environmental disposal liability begins when the asset is placed into service. Based on DoD's policy, which is consistent with [SFFAS No. 5](#), non-environmental disposal liabilities are recognized when management decides to dispose of an asset.

For additional information, see Note 9 *Other Liabilities*.

**O. Environmental Liabilities**

The DeCA has clean up requirements for commissaries within the Continental United States (CONUS) and outside the OCONUS. Clean up cost are based on potentially affected areas and the probability of Asbestos Containing Material (ACM) and /or Lead Base Paint (LBP) contaminants being present. All clean-up efforts are performed in coordination with regulatory agencies, other responsible parties, and current property owners.

In March 2022, an update was made to Financial Management Regulation Volume 4, Chapter 13, which updated the reporting of environmental liabilities. Federal Accounting Standards Advisory Board (FASAB) Interpretation 9 clarifies that during the assets useful life, the reporting entity that owns the asset must continue to recognize inter-period operating costs on its Statement of Net Cost and accrue the liability for PP&E on its Balance Sheet until the general PP&E and the associated liability are transferred to the entity designated responsible by law, statute, or policy for cleanup. At that time, the general PP&E and the liability should be de-recognized by the component reporting entity that recognized them during the general PP&E's useful life and recognized by the component reporting entity that will liquidate the liability. De-recognition and recognition of the general PP&E and environmental liability was performed between DeCA and the military departments as of May 30, 2022.

According to updates to *DoD 7000.14.R Financial Management Regulation (FMR) Volume 4 Chapter 13 Environmental and Disposal Liabilities* authorized the DeCA to discontinue reporting estimates of asbestos and lead base paint on the financial reports. The military departments validated they were reporting the necessary cost on their financials.

**P. Net Position**

Net position is the residual difference between assets and liabilities and comprises unexpended appropriations and cumulative results of operations.

Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unexpended appropriations are reduced for appropriations used and adjusted for other changes in budgetary resources, such as transfers and rescissions.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

Cumulative results of operations represent the difference between revenues over expenses and transfers to Treasury in the WCF and GF since inception.

**Q. Nonexchange Revenue**

DeCA recognizes nonexchange revenue for the labor received at no cost for local nationals working in the country of Japan. The Government of Japan pays the salaries for local national employees up to a specified annual ceiling amount. Payroll over this ceiling is charged to DeCA.

As a component of the Government-wide reporting entity, the DeCA is subject to the federal budget process, which involves appropriations provided annually and on a permanent basis. The financial transactions that are supported by budgetary resources, which includes appropriations, are generally the same transactions reflected in the DeCA and Government-wide financial reports.

The DeCA's budgetary resources reflect past congressional action and enable the DeCA to incur budgetary obligations, but do not reflect assets to the Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions (e.g., Social Security benefits). After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

The DeCA receives congressional appropriations as financing sources for the DeCA WCFs. These funds are no year funds and do not expire. When authorized by legislation, these appropriations are supplemented by revenues generated by sales of goods or services. The DeCA recognizes revenue as a result of costs incurred for goods and services provided to other federal agencies and the public. Full-cost pricing is the DeCA's standard policy for services provided as required by OMB Circular A-25, "User Charges". In some instances, revenue is recognized when bills are issued.

The Resale Stock revenues are primarily generated from the sale of inventory items to authorized commissary patrons. Commissaries are authorized to accept payment for the sale of inventory in the form of cash, credit/debit card, electronic benefits transfer (EBT), checks, commissary gift cards, or charge sale basis. The inventory consists of grocery, meat, and produce items.

The Commissary Operations revenues are generated from coupon and tobacco handling fees and from other miscellaneous services provided for authorized customers in addition to a direct appropriation.

In accordance with SFFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, the DeCA recognizes nonexchange revenue when there is a specifically identifiable, legally enforceable claim to the cash or other assets of another party that will not directly receive value in return.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

Deferred revenue is recorded when the DeCA receives payment for goods or services which have not been fully rendered. Deferred revenue is reported as a liability on the Balance Sheet until earned.

The DeCA does not include non-monetary support provided by U.S. allies for common defense and mutual security in amounts reported in the Statement of Net Cost. The U.S. has cost sharing agreements with countries, through mutual or reciprocal defense agreements, where U.S. troops are stationed, or where the U.S. Fleet is in a port.

**R. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the amount of revenues and costs reported during the period. Actual results could differ from those estimates, and the difference will be adjusted for and included in the financial statements in the year such differences are determined.

Significant estimates include payroll expenses, accounts payable, unbilled revenue, year-end accruals of accounts payable, and actuarial liabilities related to workers' compensation.

**S. Commitments and Contingencies**

DeCA is a party in various administrative proceedings, legal actions, and potential claims. In the opinion of DeCA management and legal counsel, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or results of operations of DeCA. Contingent liabilities are recognized when past events or exchange transactions occur, a future loss is probable, and the loss amount can be reasonably estimated. These legal actions are estimated and disclosed in Note 12, *Commitments and Contingencies*.

DeCA does not have Environmental Contingencies. The environmental contingencies are reported in Note 10, *Environmental and Disposal Liabilities*. The legal environmental cases are recorded as legal contingencies.

**T. Budgetary Terms**

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to Federal agencies by law and help ensure compliance with the law.

The following budget terms are commonly used:

Appropriation a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

Budgetary Resources amount available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

Offsetting Collections are payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, they are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority.

Offsetting Receipts are payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually, they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.

Obligations are a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Outlays are payments to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of Government spending.

Gross Outlays is the total of all payments made to liquidate obligations.

Net Outlays is the subtraction of all offsetting collections (unexpired and expired) from gross outlays.

For further information about budget terms and concepts, see the "Budget Concepts" chapter of the Analytical Perspectives volume of the President's Budget:  
<https://www.whitehouse.gov/omb/information-resources/budget/>.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

**NOTE 2 – NON-ENTITY ASSETS**

The DeCA has stewardship accountability and reporting responsibility for non-entity assets. The following table shows the non-entity assets as of September 30, 2025.

	<u>2025</u>
Total Non-Entity Assets	\$ -
Total Entity Assets	<u>1,379,224</u>
Total Assets	<u>\$ 1,379,224</u>

The Defense Commissary Agency has stewardship accountability and reporting responsibility for nonentity assets. The Deca does not have assets held by other entities. The DeCA's assets are entity assets and the DeCA maintains authority for their use in operations.

The DeCA's total Fund Balance with Treasury is fully supported by balances recorded in the general ledger and is represented by both unobligated and obligated amounts. The unobligated balance reflects resources that remain available for future obligations without restrictions due to the nature of the funds. The obligated balance not yet disbursed represents amounts already committed through legally binding agreements but not yet liquidated as of the reporting date. The DeCA also reports non-budgetary FBWT, which includes contract authority that does not affect FBWT.

Non-federal Assets are Accounts Receivables which consist of interest, penalties, and administrative fees.

**NOTE 3 - FUND BALANCE WITH TREASURY**

FBWT consists of three types of funds – appropriated funds, revolving funds, and trust funds. The appropriated funds include commissary operations; the revolving fund relates to DeCA's commissary resale stocks fund; and the trust fund relates to the Surcharge Collections Trust Fund.

The DeCA's total Fund Balance with Treasury is fully supported by balances recorded in the general ledger and is represented by both unobligated and obligated amounts. The unobligated balance reflects resources that remain available for future obligations without restrictions due to the nature of the funds. The obligated balance not yet disbursed represents amounts already committed through legally binding agreements but not yet liquidated as of the reporting date. The DeCA also reports non-budgetary FBWT, which includes contract authority that does not affect FBWT.

**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

The following table shows the balance for each type of fund as of September 30, 2025.

<b>Fund Balances:</b>	<b>2025</b>
Appropriated Funds	
Working Capital Fund	\$ 471,680
<b>Total</b>	<b>471,680</b>
Revolving Funds	
Working Capital Fund	(188,777)
<b>Total</b>	<b>(188,777)</b>
Trust Fund	424,416
<b>Total</b>	<b>\$ 707,319</b>

The following table shows the status of the fund balances as of September 30, 2025.

	<b>2025</b>		
<u>Status of Fund Balances with Treasury:</u>	<u>WCF</u>	<u>GF</u>	<u>Total</u>
Total Unobligated Balance	\$ 139,084	\$ 130,338	\$ 269,422
Obligated Balance Not Yet Disbursed	643,585	294,079	937,664
Non-Budgetary FBWT			
Unfilled Customer Orders without Advance	(6,352)		(6,352)
Contract Authority	(487,565)		(487,565)
Receivables and Other	(5,850)		(5,850)
Total Non-FBWT Budgetary Accounts	(499,767)	-	(499,767)
<b>Total Fund Balance with Treasury</b>	<b>\$ 282,902</b>	<b>\$ 424,417</b>	<b>\$ 707,319</b>

Unobligated balance is classified as available or unavailable and represents the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations. The unavailable balance consists primarily of funds invested in Treasury securities that are temporarily precluded from obligation by law. Certain unobligated balances are restricted for future use and are not apportioned for current use. Unobligated balances for trust fund accounts are restricted for use by public law that established the funds.

Obligated balance not yet disbursed generally represents funds that have been obligated for goods and services not received, and those received but not paid.

DeCA is a revolving fund activity and because the total activity group remains positive, the negative balance remains within statutory compliance.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

**NOTE 4 – CASH**

The following table summarizes the amount of cash for September 30, 2025:

	2025
Cash	\$ 80,672
Total Cash	\$ 80,672

Cash is the total of cash resources under the control of the U.S. Department of the Treasury ("Treasury"), including coins, paper currency, negotiable instruments, and amounts held for deposit in banks and other financial institutions. Foreign currency consists of the total U.S. dollar equivalent of foreign currencies exchanged for U.S. dollars and foreign currency received as payment for goods or services. Foreign currency is valued using the Treasury prevailing rate of exchange. The TFM Volume I, Part 2, Chapter 3200, provides guidance for accounting and reporting foreign currency. Cash reflects uncollected deposits of \$49.2 million and additional sales transactions of \$27.6 million recorded as cash on hand. This account is used to accommodate processing limitations for cash sales and sales transactions deposits that were made to the bank. Due to the timing, deposits are not recognized as collections, and are shown as receivables in the accounting system, until they are processed by the U.S. Treasury and recorded in the accounting records. To accurately reflect the Defense Commissary Agency's cash and receivables position, journal vouchers are prepared to move these deposits from the proprietary receivables to cash on hand during the preparation of the financial statements.

There are no restrictions on cash or the use or conversion of foreign currencies.

**NOTE 5 – ACCOUNTS RECEIVABLE, NET**

	2025		
	<u>Gross Amount Due</u>	<u>Allowance for Doubtful Accounts</u>	<u>Accounts Receivable, Net</u>
Intragovernmental	\$ 5,850	\$ -	\$ 5,850
Totals	\$ 5,850	\$ -	\$ 5,850

Gross receivables, including federal receivables, must be reduced to net realizable value by an allowance for doubtful accounts (estimated uncollectible amounts) in accordance with SFFAS 1 and Technical Bulletin 2020-1, Loss Allowance for Intragovernmental Receivables. Loss allowance recognition for intragovernmental receivables does not alter the statutory requirements for the debtor agency to make the payment or for the collecting agency to seek and obtain payment.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

Accounts receivable from other federal entities and non federal entities includes accounts receivable, claims receivable, and refunds receivable. Allowances for uncollectible accounts due are based upon factors such as aging of accounts receivable, debtor's ability to pay, and payment history. The DeCA uses a percentage based receivable method to determine the allowance. This method applies an upward sliding percentage based on the overdue days for each account. The days and percentages are as follows:

<b>Date Rate</b>	<b>Percentage</b>
1 – 30 days 2%	2%
31 – 60 days	5%
61 – 90 days	15%
91 – 180 days	20%
181 – 365 days	50%
1 – 6 years	80%
Over 6 years	90%

**NOTE 6 – INVENTORY AND RELATED PROPERTY, NET**

The following table summarizes net inventory as of September 30, 2025:

<b>Inventory Categories</b>	<b>2025</b>
Inventory Purchased for Resale	\$ 388,574
Inventory - Allowance for Loss	(183)
<b>Total</b>	<b>388,391</b>

Inventory is restricted, consists of grocery, meat, and produce items and does not have excess, obsolete, or unserviceable inventory, or expected net realizable value.

The DeCA purchases inventory for resale to Commissary patrons at the lowest possible cost, it then sells that inventory at retail cost which is inclusive of cost-plus variable pricing. Currently, Inventory is valued at latest acquisition cost with an allowance account established for holding gains and losses. Holding gains and losses are recognized monthly and the unrealized holding gains and losses are included in the ending inventory value.

The Holding gains and losses are represented by store inventory balances are adjusted monthly based on aggregate purchases, sales, transfers, cycle counts and other adjustments. The DeCA completed 234 accountable inventories (via contractors) throughout the Agency. The completed inventories will provide reasonable assurance that the DeCA's overall inventory value is properly reported.

**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

Upon adjustment for the unrealized holding gains and losses, the latest acquisition cost results in an approximation of historical cost. The percentage of holding gains and losses that are recognized each month is the ratio of sales to beginning inventory plus purchases. This percentage for FY2025 is 91%.

The DeCA does not maintain excess, obsolete, or unserviceable inventory.

**NOTE 7 –PROPERTY, PLANT AND EQUIPMENT, NET**

General property, plant and equipment (PP&E) at September 30, 2025, is summarized as follows:

<u>PP&amp;E Category</u>	<u>Depreciation Method</u>	<u>Service Life (Years)</u>	<u>2025</u>		
			<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Building, Structures, and Facilities	Mid-Year Convention	Various	6,703	-	6,703
Software	Straight Line	2 to 5	34,774	(16,700)	18,074
Equipment and Other Assets	Straight Line	Various	154,023	(128,968)	25,055
Construction-in-Progress			147,570	-	147,570
<b>Totals</b>			<b>\$ 343,070</b>	<b>\$ (145,668)</b>	<b>\$ 197,402</b>

The following table summarizes the reconciliation of PP&E for September 30, 2025:

	<u>2025</u>
Balance Beginning of Year	\$ 175,268
Capitalized Acquisitions	14,120
Right-to-Use Lease Assets	15,514
Dispositions	(30)
Transfers In/(Out) Without Reimbursement	(20)
Depreciation Expense	(7,450)
<b>Balance End of Year</b>	<b>\$ 197,402</b>

General and Right-to-Use PP&E assets are capitalized when an asset has a useful life of two or more years and the acquisition cost equals or exceeds the relevant capitalization threshold. The costs of modifications/improvements to existing PP&E assets are capitalized if they (1) extend the asset's useful life by two or more years, or increases the assets capability, or increases its capacity or size, and (2) equals or exceeds the relevant capitalization threshold. The capitalization threshold for PP&E assets is \$250 thousand for construction in progress and general equipment:



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

<b>DoD Entity</b>	<b>Capitalization Threshold</b>
Department of the Navy General Fund (General Equipment and Real Property)	\$1 million
Department of the Air Force General Fund (General Equipment)	\$1 million
<i>Office of the Director of National Intelligence (ODNI) DoD Members only</i>	\$1 million
<i>USACE Civil Works General PP&amp;E assets, other than buildings and structures related to hydropower projects</i>	\$25 thousand
USACE Civil Works buildings and structures related to hydropower projects	Capitalized regardless of cost

Except for those related to USACE Civil Works and ODNI, these capitalization thresholds apply to PP&E asset acquisitions and modifications/improvements placed into service after September 30, 2013; PP&E assets acquired prior to October 1, 2013 were capitalized at prior thresholds (\$100 thousand for general equipment and \$20 thousand for real property). However, in the years leading up the DoD entities making unreserved assertions under SFFAS 50, each DoD Entity may apply the applicable capitalization threshold to its entire population of PP&E retroactively, irrespective of the capitalization thresholds in effect for the years prior to October 1, 2013. The DeCA uses the straight line method of depreciation on all capital assets, except construction in progress.

The actual commencement of depreciation is based on the mid-year convention method for buildings. Under the midyear convention method, six months of depreciation is computed and expensed in the first and last year of an asset's useful life regardless of the actual month an asset was placed in or removed from service. The month available for service method is used for all other capital assets.

Restrictions on the use of convertibility of General PP&E: The DoD has the use of land, buildings, and other overseas facilities that are obtained through various international treaties and agreements negotiated by the Department of State. The DeCA purchases capital assets overseas; however, the host country retains title to the land and capital improvements. Treaty terms generally allow DeCA to continue use of these properties until the treaties expire. In the event treaties or other agreements are terminated, the right of use of the foreign bases is likewise coming to an end and losses are recorded for the value of any non-retrievable capital assets. The settlement due to the U.S. or host nation is negotiated and takes into account the residual value of capital investments and may be offset by the cost of environmental cleanup.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

Effective October 1, 2019, Office of the Under Secretary of Defense (OUSD) implemented policy to assign assets to component reporting entities. Title 10 of the US Code Section 2682 states, “a real property facility under the jurisdiction of the DoD which is used by an activity or agency of Department of Defense (other than a military department) shall be under the jurisdiction of a military department designated by the Secretary of Defense.” The DoD has determined that because the entities with jurisdiction over real property assets have existing requirements to manage the asset related data required for financial reporting, it is rational and consistent that those same entities carry the financial reporting responsibility for those assets. As of September 30, 2020, the transferred financial responsibility of real property and the associated capital improvements to the following military services: USMC, USAF, DON, and Army.

DeCA recognized imputed finance cost as related to depreciation of WCF and GF buildings. The OUSD, Office of the Deputy Chief Financial Officer, in collaboration with the Office of the Deputy Comptroller for Program and Budget, revised policy for reporting imputed cost for real property associated with the Defense Working Capital Fund (DWCF) and other DoD revolving fund accounts. The DWCF Accounting Report (Monthly) 1307 was revised to include new and modified line items and their corresponding definitions. Additionally, detailed procedures are provided in the “Imputed Costs for Real Property Related to DoD Revolving Fund Activities Implementation Guide”. DeCA reported imputed cost related to building depreciation in the amount of \$24 million in FY 2025.

The DeCA provides government-owned or leased General and right-to use PP&E (Government-Furnished Property (GFP)) to contractors for performing a contract, for which the DeCA must recognize the GFP for accountability and financial reporting purposes. Note 10 – “Leases” provides detailed information.

Contractor-Acquired Property (CAP) is General PP&E acquired by a contractor on behalf of the DeCA for performing a contract, where the government will ultimately hold the title to the General PP&E. If the CAP has a useful life of at least two years and the value of the CAP meets or exceeds the relevant capitalization threshold, federal accounting standards require the CAP to be reported on the DeCA’s Balance Sheet when title passes to the DeCA or when the General PP&E is delivered to the DeCA.

**NOTE 8 – OTHER ASSETS**

The following table summarizes total other assets as of September 30, 2025:

Other than Intragovernmental Other Assets	2025
Advances and Prepayments	\$ 177
Accounts Receivable, Net	\$ (587)
<b>Total Other than Intragovernmental Other Assets</b>	<b>(410)</b>
<b>Total Other Assets</b>	<b>\$ (410)</b>

**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

The DeCA conducts business with commercial contractors under two primary types of contracts – fixed price and cost reimbursable. The DeCA may provide financing payments to contractors to alleviate the potential financial burden from long-term contracts. Contract financing payments are defined in the Federal Acquisition Regulation (FAR), Part 32, as authorized disbursements to a contractor prior to acceptance of supplies or services by the Government. Contract financing payment clauses are incorporated in the contract terms and conditions and may include advance payments, performance-based payments, commercial advances and interim payments, progress payments based on cost, and interim payments under certain cost-reimbursement contracts.

The Defense Federal Acquisition Regulation Supplement (DFARS) authorizes progress payments based on a percentage or stage of completion only for construction of real property, shipbuilding and ship conversion, alteration, or repair. Progress payments based on percentage or stage of completion are reported as Construction in Progress. Contract financing payments do not include invoice payments, payments for partial deliveries, lease and rental payments, or progress payments based on a percentage or stage of completion.

Other than Intragovernmental Advances and Prepayments consist of Federal Health Benefits, travel and other advances.

**NOTE 9 - LIABILITIES**

The following table summarizes total liabilities covered and not covered by budgetary resources as of September 30, 2025:

	<u>2025</u>
<b>Intragovernmental Liabilities</b>	
Other Liabilities	\$ 20,249
<b>Total Intragovernmental Liabilities</b>	<u>20,249</u>
<b>Other than Intragovernmental Liabilities</b>	
Federal Employee Salary, Leave and Benefits Payable	9,029
Pension, Post Employment, and Veterans Benefits Payable	95,352
<b>Total Other than Intragovernmental Liabilities</b>	<u>104,381</u>
<b>Total Liabilities Not Covered by Budgetary Resources</b>	124,630
<b>Total Liabilities Covered by Budgetary Resources</b>	467,733
<b>Total Liabilities</b>	<u><u>\$ 592,363</u></u>



**DEPARTMENT OF DEFENSE**  
**DEFENSE COMMISSARY AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2025**  
*(Except as noted, all dollar amounts are in thousands)*

Liabilities represent the probable future outflow or other sacrifice of resources as a result of past transactions or events. The DeCA recognizes liabilities when goods or services are received. However, no liability can be paid by the DeCA absent proper budget authority. Liabilities covered by budgetary resources are appropriated funds for which funding is otherwise available to pay amounts due. Budgetary resources include new budget authority, unobligated balances from prior year budget authority or net transfers of prior year balances during the year, spending authority from offsetting collections, and recoveries of unexpired budget authority through downward adjustments of prior year obligations. Liabilities are classified as not covered by budgetary resources when congressional action is needed before they can be paid.

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional actions. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using the combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Material amounts not covered by budgetary resources include future funded liabilities such as Federal Employment Compensation Act (FECA), Federal employee benefits payable, unfunded annual leave and Foreign National Separation Pay (FNSP). The FECA liability is for actuarial cost projections submitted by the Department of Labor. FNSP is separation pay estimates that is payable to Outside the Continental United States foreign employees after retirement/resignation or termination in accordance with country agreements.

Intragovernmental other liabilities consist of FECA liabilities. Other than intragovernmental other liabilities consist of FNSP and unfunded accrued leave. The DeCA recognizes Lease Liabilities (see Note 10) and Contingent Liabilities (see Note 12).

Pensions, post-employment, and veterans benefits payable consist of various employee actuarial liabilities not due and payable during the current fiscal year. These liabilities primarily consist of actuarial benefit liabilities for FECA in the amount of approximately \$95.4 million.

**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

The following table summarizes intragovernmental and non-intragovernmental other liabilities as of September 30, 2025:

	2025		
	Current Liability	Non-Current Liability	Total
<b>Intragovernmental Other Liabilities</b>			
Employer Contributions and Payroll Taxes Payable - Health Benefits	\$ 1,359	\$ -	\$ 1,359
Employer Contributions and Payroll Taxes Payable - Life Insurance	34	-	34
Employer Contributions and Payroll Taxes Payable - Retirement	2,844	-	2,844
Unfunded FECA Liability	9,292	10,957	20,249
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 13,529</b>	<b>\$ 10,957</b>	<b>\$ 24,486</b>
<b>Other than Intragovernmental Other Liabilities</b>			
Lease Liability	\$ 15,514	\$ -	\$ 15,514
<b>Total Other Liabilities</b>	<b>\$ 29,043</b>	<b>\$ 10,957</b>	<b>\$ 40,000</b>

The Defense Commissary Agency (DeCA) is a party in various administrative proceedings and legal actions related to claims for environmental damage, equal opportunity matters, and contractual bid protests. See Commitments and Contingencies Note 12.

DeCA currently leases multi-functional devices (print/copy/scan/fax) from Defense Logistics Agency for various locations at an estimated annual cost of \$555,146. DeCA also leases vehicles from General Services Administration at an estimated annual cost of \$913,226, both are funded with Defense Working Capital Fund. In addition to equipment leases, the DeCA leases space in Izmir Turkey and U.S. Navy Support Site Naples at annual cost in FY 2025 of \$1,117,239 funded with General Funds. See Note 10 Leases.

The following table summarizes federal employee benefits payable as of September 30, 2025:

	2025		
	Liabilities	Assets Available to Pay Benefits	Unfunded Liabilities
<b>Other Benefits</b>			
FECA	\$ 95,352	\$ -	\$ 95,352
<b>Total Other than Intragovernmental Liabilities</b>	<b>95,352</b>	<b>-</b>	<b>95,352</b>
<b>Pensions and Other Post-Employment Benefits Payable (presented separately on the Balance Sheet)</b>			
Federal Employee Salary, Leave and Benefits Payable	75,104	(66,075)	9,029
Other Benefit-Related Payable Included in Intragovernmental Other Liabilities on the Balance Sheet	24,486	(4,238)	20,248
<b>Total Federal Employee Benefits Payable</b>	<b>\$ 199,492</b>	<b>\$ (70,313)</b>	<b>\$ 129,179</b>



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

DOL selected the Cost-of-Living Adjustment (COLA) factors, Consumer Price Index for Medical Care (CPI-M) factors, and discount rate by averaging the COLA rates, CPI-M rates, and interest rates for the current and prior four years. Using averaging renders estimates that reflect historical trends over five years instead of conditions that exist in one year.

The FY 2025 and FY 2024 methodologies for averaging the COLA rates used OMB-provided rates. The FY 2025 and FY 2024 methodologies for averaging the CPI-M rates used OMB-provided rates and information obtained from the Bureau of Labor Statistics public releases for CPI.

The actual rates for these factors for the charge back year (CBY) 2024 were also used to adjust the methodology's historical payments to current year constant dollars. The compensation COLAs and CPI-Ms used in the projections for various CBY were as follows:

<b>CBY</b>	<b>COLA</b>	<b>CPI-M</b>
2026	4.35%	2.54%
2027	4.05%	2.90%
2028	3.05%	3.06%
2029	2.45%	3.66%
2030	2.26%	3.84%

**Discount Rates**

For wage benefits:

3.221% in year 1 and years thereafter;

For medical benefits:

2.944% in year 1 and years thereafter.

To test the reliability of the model, comparisons were made between projected payments in the last year to actual amounts, by agency. Changes in the liability from last year's analysis to this year's analysis were also examined by agency, with any significant differences by agency inspected in greater detail. The model has been stable and has projected the actual payments by agency reasonably well. See Note 9 Liabilities.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

**NOTE 10 – LEASES**

Lease payments for the rental of equipment, internal use software, and operating facilities are classified as either intragovernmental, short term or right to use lease asset. When a lease substantially transfers all the benefits and risks of ownership to the DeCA, the DeCA records the applicable asset as though purchased, with an offsetting liability, and records depreciation on the asset. The DeCA records the asset and liability at the present value of the rental and other minimum lease payments during the lease term (excluding portions representing executory costs paid to the lessor). The discount rate for the present value calculation is either the lessor's implicit interest rate or the government's incremental borrowing rate at the inception of the lease. The DeCA, as the lessee, receives the use and possession of leased property (e.g., real estate or equipment) from a lessor in exchange for payments of funds.

An intragovernmental lease is a contract or agreement occurring within a consolidation entity or between two or more consolidation entities as defined in SFFAS 47, Reporting Entity whereby one entity (lessor) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration.

A right to use lease asset deemed "operating leases" for budgetary treatment does not substantially transfer all the benefits and risks of ownership to the DeCA. Payments for right to use lease asset deemed operating leases are expensed over the lease term. Office space leases entered into by the DeCA are the largest component of leases.

SFFAS No. 54, Leases, as amended by SFFAS No. 60, Omnibus Leases-Related Topics, replaces proprietary lease accounting and disclosure standards for general purpose federal financial reports. This Statement applies to federal entities that present general purpose federal financial reports (GPFFR), including the consolidated financial report of the U.S. Government, in conformance with generally accepted accounting principles (GAAP), as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board.

The following table summarizes the future lease payments due for Non-Cancelable operating leases as of September 30, 2025:

Fiscal Year:	Lessee (Principal Only)		
	2025		
	Principal		Total
	Buildings	Equipment	
2026	1,117	1,468	2,585
2027	1,117	1,468	2,585
2028	1,117	1,469	2,586
2029	1,117	1,469	2,586
2030	1,117	1,469	2,586
2031	1,117	1,469	2,586
<b>Total</b>	<b>\$ 6,702</b>	<b>\$ 8,812</b>	<b>\$ 15,514</b>



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

An intragovernmental lease is a contract or agreement occurring within a consolidation entity (or between two or more consolidation entities) as defined in SFFAS No. 47, Reporting Entity. Intragovernmental leases are recognized as expenses/revenues based on the payment provisions of the Intergovernmental Transfer Agreement (IGT) and payables/receivables standards. Reporting entities do not recognize lease liabilities or lease assets for IGT leases. DeCA does not recognize a prepaid asset if payments are made in advance of the reporting period to which they relate. DeCA currently leases multi-functional devices (print/copy/scan/fax) from Defense Logistics Agency for various locations at an estimated annual cost of \$555. DeCA also leases vehicles from General Services Administration at an estimated annual cost of \$913, both are funded with Defense Working Capital Fund. In addition to equipment leases DeCA leases space in Izmir, Turkey and U.S. Navy Support Site Naples at an annual cost in FY 2025 of \$1,117. The DeCA does not have interest to report for leases. See Note 9 Other Liabilities.

**NOTE 11 – DISCLOSURE RELATED TO THE STATEMENTS OF BUDGETARY RESOURCES (SBR)**

The SBR is a combined statement and, as such, intra-entity transactions have not been eliminated because the statements are presented as combined.

Total budget authority in FY 2025 included appropriation transfers in the amount of \$1,570,187, and contract authority in the amount of \$4,917,889. The appropriation transfer is offset by the contract authority liquidation and is available indefinitely. Contract authority primarily provides DeCA the ability to purchase grocery, meat, and produce items for resale to authorized commissary patrons. Spending authority from offsetting collections results primarily from the sale of grocery, meat, and produce items.

Undelivered orders as of September 30, 2025 was \$534,765. Intragovernmental budgetary resources for undelivered orders at September 30, 2025 was \$257,199 while nonfederal budgetary resources for undelivered orders was \$277,567.

The SBR includes intra-entity transactions which are not eliminated because the statements are presented as combined.

There are no legal arrangements affecting the use of unobligated balances.

The unobligated balance brought forward as September 30, 2025, is summarized below:

	<b>2025</b>
Unobligated Balance from Prior Year Budget Authority, Net	\$ 263,484
Recoveries of prior year unpaid obligations	54,700
Unobligated balance of contract authority withdrawn	(875)
<b>Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)</b>	<b>\$ 317,309</b>

**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

DeCA is a party in various administrative proceedings and legal actions related to contractual claims and protests. DeCA has not accrued or disclosed any amounts for contingent liabilities as potential losses have not been determined to be probable.

The following table summarizes the contingent loss as of September 30, 2025:

		2025	
		Estimated Range of Loss	
Legal Contingencies:	Accrued Liabilities	Lower End	Upper End
Reasonably Possible	\$ -	\$ 5,000	\$ 6,000

The DeCA recognizes contingent liabilities on the Balance Sheet for legal actions where management considers an adverse decision to be probable and the loss amount is reasonably estimable. However, there are cases where amounts have not been accrued or disclosed because the likelihood of an adverse decision is considered remote or the amount of potential loss cannot be estimated.

The DeCA executes project agreements pursuant to the framework cooperative agreement with foreign governments. All of these agreements give rise to obligations reported in the DeCA financial statements, pursuant to legal authority, appropriated funds, and none are contingent. The DeCA does not enter into treaties and other international agreements that create contingent liabilities.

The DeCA does not have environmental contingencies. The legal environmental cases are recorded as legal contingencies.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

**NOTE 13 – FUNDS FROM DEDICATED COLLECTIONS**

The following table presents condensed data relating to DeCA's Dedicated Collections, the Surcharge Collections Trust Fund, as of and for the year ended September 30, 2025:

	<b>2025</b>
<b>Balance Sheet</b>	<b>Total Funds from Dedicated Collections</b>
<b>Assets</b>	
Intragovernmental Assets:	
Fund Balance with Treasury	\$ 424,416
Total Intragovernmental Assets	424,416
Other than Intragovernmental Assets:	
Cash	3,842
Accounts Receivable, Net	33
Property, Plant, and Equipment, Net	129,355
Total Other than Intragovernmental Assets	133,230
Total Assets	557,646
<b>Liabilities</b>	
Intragovernmental Liabilities:	
Accounts Payable	13,330
Total Intragovernmental Liabilities	13,330
Other than Intragovernmental Liabilities:	
Accounts Payable	26,680
Other Liabilities	6,703
Total Other than Intragovernmental Liabilities	33,383
Total Liabilities	46,713
Cumulative Results of Operation	510,933
Total Liabilities and Net Position	\$ 557,646
<b>Statement of Net Cost</b>	
Gross Program Costs	\$ 258,730
Less: Earned Revenue	(245,449)
Net Cost of Operations	\$ 13,281

**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

	<u>2025</u>
Statement of Changes in Net Position	Total Funds from Dedicated Collections
Cumulative Results of Operations	
Beginning Balance	\$ 500,988
Transfers-In/Out Without Reimbursement	17
Imputed Financing	23,208
Net Cost of Operations	<u>(13,281)</u>
Net Change in Cumulative Results of Operations	<u>9,944</u>
Net Position, End of Period	<u>\$ 510,932</u>

The DeCA's General Fund account is a fund from dedicated collections. It is financed by specifically identified revenues that are required by law to be used for designated purposes benefiting commissary operations. The fund finances the sustainment and improvement of commissary facilities and equipment. The fund is legally restricted to supporting commissary operations and may not be merged with the DeCA's WCF. Eliminations between Dedicated Collection Funds ensure that an agency reports its financial position, internal activity between separate but related funds is removed so the final statements do not overstate assets, liabilities, revenue, or expenses. The DeCA does not transfer resources, conduct investments, or make payment transactions between funds.

Under statutory authority, the Surcharge Account must be used exclusively for commissary support as described below.

**Facilities Costs:**

The fund may be used for the sustainment, restoration (excluding acts of God, fire, or terrorism), modernization, or replacement of existing commissary or central product processing facilities. It may also finance building enlargements when required for reasons other than significant personnel growth. Allowable costs include:

- Construction and installed equipment
- Environmental evaluations, surveys, and planning
- Design, real property requirements, and utilities
- Non-installed furniture, fixtures, and equipment (including computer systems)

**Equipment Costs:**

The Surcharge Account finances the acquisition, installation, leasing, and maintenance of equipment used directly in store-level commissary operations, including automated data processing equipment. Appropriated accounts may be used initially but must be reimbursed from surcharge funds when applicable.



**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2025  
(Except as noted, all dollar amounts are in thousands)**

**NOTE 14 - RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS**

The following table presents DeCA's reconciliation of net cost of operations to net outlays as of and for the year ended September 30, 2025:

	2025		
	Intragovernmental	With the Public	Total
Net Cost of Operations:	\$ 533,170	\$ 1,175,910	\$ 1,709,080
Components of Net Cost That are Not Part of Net Outlays:			
Property, Plant, and Equipment Depreciation	\$ -	\$ (7,450)	\$ (7,450)
Property, Plant, and Equipment Disposals and Revaluations	-	(50)	(50)
Cost of Goods Sold	-	(4,916,722)	(4,916,722)
Applied Overhead/Cost Capitalization Offset:			
Increase/(Decrease) in Assets Not Affecting Net Outlays:			
Accounts Receivable, Net	(540)	(22,025)	(22,565)
Advances and Prepayments	-	(8)	(8)
Other Assets	-	(6,415)	(6,415)
(Increase)/Decrease in Liabilities Not Affecting Net Outlays:			
Accounts Payable	11,899	(1,733)	10,166
Federal Employee Salary, Leave, and Benefits Payable	-	(3,964)	(3,964)
Veterans, Pensions, and Post Employment-Related Benefits	-	14,824	14,824
Other Liabilities	192	-	192
Other Financing Sources:			
Imputed Cost	(114,553)	-	(114,553)
Total Components of Net Cost that are not Part of Net Outlays	\$ (103,002)	\$ (4,943,543)	\$ (5,046,545)
Components of the Net Outlays that are not Part of Net Operating Cost:			
Acquisition of Capital Assets	6,662	7,459	14,121
Acquisition of Inventory and Related Property	527	4,901,275	4,901,802
Financing Sources:			
Transfers Out (In) Without Reimbursements	74	-	74
Total Components of the Net Outlays that are not Part of Net Operating Cost	\$ 7,263	\$ 4,908,734	\$ 4,915,997
Miscellaneous:			
Custodial/Non-Exchange Revenue	\$ -	\$ (15,829)	\$ (15,829)
Total Net Outlays	\$ 437,431	\$ 1,125,272	\$ 1,562,703
Agency Outlays, Net, Statement of Budgetary Resources			\$ 1,562,703
Unreconciled Difference			\$ -

**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
REQUIRED SUPPLEMENTARY INFORMATION  
COMBINING STATEMENT OF BUDGETARY RESOURCES  
For the Year Ended September 30, 2025  
(amounts in thousands)**

	Defense Working Capital Funds		General Fund	Combined
	Operations	Resale	Surcharge	
<b>Budgetary Resources</b>				
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 11)	\$ 201,166	\$ -	\$ 116,142	\$ 317,308
Appropriations (discretionary and mandatory) (Note 11)	1,570,187	-	-	1,570,187
Contract authority (discretionary and mandatory) (Note 11)	15,417	4,902,473	-	4,917,890
Spending authority from offsetting collections (discretionary and mandatory)	8,016	-	243,343	251,359
<b>Total Budgetary Resources</b>	<b>\$ 1,794,786</b>	<b>\$ 4,902,473</b>	<b>\$ 359,485</b>	<b>\$ 7,056,744</b>
<b>Status of Budgetary Resources:</b>				
New obligations and upward adjustments (total)	\$ 1,655,701	\$ 4,902,473	\$ 249,857	\$ 6,808,031
Unobligated balances, end of year:				
Apportioned, unexpired accounts	139,085	-	109,628	248,713
Unexpired unobligated balance, end of year	139,085	-	109,628	248,713
Unobligated balance, end of year (total)	139,085	-	109,628	248,713
<b>Total Status of Budgetary Resources:</b>	<b>1,794,786</b>	<b>4,902,473</b>	<b>359,485</b>	<b>7,056,744</b>
<b>Outlays, Net:</b>				
Outlays, net (total) (discretionary and mandatory)	\$ 1,524,051	\$ 57,604	\$ (18,952)	\$ 1,562,703
Agency, outlays, net (discretionary and mandatory)	\$ 1,524,051	\$ 57,604	\$ (18,952)	\$ 1,562,703

**DEPARTMENT OF DEFENSE  
DEFENSE COMMISSARY AGENCY  
REQUIRED SUPPLEMENTARY INFORMATION  
DEFERRED MAINTENANCE AND REPAIRS  
For the Year Ended September 30, 2025  
*(amounts in thousands)***

DeCA's PP&E is under various forms of maintenance contracts. DeCA has an equipment replacement plan that schedules replacement of equipment based on its useful life. The flexibility in the Surcharge program allows DeCA to address any out of cycle maintenance or repair. DeCA engineers use a variety of tools to constantly assess facility conditions and plan for replacement or repair of any component in a facility that may be approaching the end of its useful life. Due to the nature of DeCA's maintenance cycles and funding, DeCA does not have deferred maintenance.





333 John Carlyle Street, Suite 500  
Alexandria, VA 22314  
703.836.1350

**SIKICH.COM**

**CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS**  
*Members of American Institute of Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

Director and Chief Executive Officer  
Defense Commissary Agency

Chair, Financial Audit Advisory Committee  
Defense Commissary Agency

In our audit of the fiscal year 2025 financial statements of the Defense Commissary Agency (DeCA), we found:

- DeCA's financial statements as of and for the fiscal year ended September 30, 2025, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- No material weaknesses in internal control over financial reporting based on the limited procedures we performed, although internal controls could be improved;
- Three significant deficiencies in internal control over financial reporting as of September 30, 2025; and
- One reportable noncompliance for fiscal year 2025 with provisions of applicable laws, regulations, contracts, and grant agreements that we tested.

The following sections contain:

1. Our report on DeCA's financial statements, including: required supplementary information (RSI) and other information included with the financial statements; and
2. Other reporting required by *Government Auditing Standards*, which is our report on DeCA's (a) internal control over financial reporting and (b) compliance and other matters. This section also includes DeCA's comments on our report.

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of DeCA, which comprise the balance sheet as of September 30, 2025, and the related statement of net cost, statement of changes in net position, and combined statement of budgetary resources for the fiscal year then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, DeCA's financial position as of September 30, 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); standards applicable to financial statement audits contained in Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States; and



guidance contained in Office of Management and Budget (OMB) Bulletin 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin 24-02 are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* subsection of our report. We are required to be independent of DeCA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for (1) the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; (2) the preparation, measurement, and presentation of the RSI in accordance with U.S. generally accepted accounting principles; (3) the preparation and presentation of other information included in DeCA's Agency Financial Report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) the design, implementation, and maintenance of effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, GAGAS, and OMB guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgments made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, GAGAS, and OMB guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DeCA's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America and OMB Circular No. A-136, *Financial Reporting Requirements*, require that the Management's Discussion and Analysis (MD&A) and other RSI be presented to supplement the financial statements. Such RSI is the responsibility of management and, although not a part of the financial statements, is required by the Federal Accounting





Standards Advisory Board (FASAB) and OMB, who consider it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, and historical context.

We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America. These procedures consisted of (1) inquiries of management about the methods of preparing the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements, in order to report omissions or material departures from FASAB and OMB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

#### **Other Information**

DeCA's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in DeCA's Agency Financial Report. The other information comprises the Performance Management – Results, Governance and Accountability, Continuous Process Improvement, and Innovation sections included in the Agency Financial Report but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

##### **Report on Internal Control over Financial Reporting and on Compliance and Other Matters**

###### ***Internal Control over Financial Reporting***

In connection with our audit of DeCA's financial statements, we considered DeCA's internal control over financial reporting, consistent with our auditors' responsibilities discussed below.

###### ***Results of Our Consideration of Internal Control over Financial Reporting***

Our consideration of internal control over financial reporting was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of DeCA's internal control over financial reporting. Given these limitations, during our fiscal year 2025 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

*A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.*

During our fiscal year 2025 audit, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, described in Appendix A.





During our fiscal year 2025 audit, we also identified deficiencies in DeCA's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant DeCA management's attention. We have communicated these matters to DeCA management and, where appropriate, will report on them separately.

#### Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to DeCA's internal control over financial reporting in accordance with GAGAS and OMB audit guidance.

#### Responsibilities of Management for Internal Control over Financial Reporting

DeCA management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of DeCA's financial statements as of and for the fiscal year ended September 30, 2025, in accordance with GAGAS, we considered DeCA's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DeCA's internal control over financial reporting. Accordingly, we do not express an opinion on DeCA's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

#### Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that:

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

#### Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of DeCA's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of DeCA's internal control over financial reporting. This report is an integral part of an audit performed in accordance with GAGAS in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

#### ***Compliance and Other Matters***

In connection with our audit of DeCA's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditors' responsibilities discussed below.





#### Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed an instance of noncompliance for fiscal year 2025 that would be reported under GAGAS. Specifically, we noted noncompliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), discussed further in Appendix B. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to DeCA. Accordingly, we do not express such an opinion.

#### Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

We performed our tests of compliance in accordance with GAGAS and OMB audit guidance.

#### Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

DeCA management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to DeCA.

#### Auditors' Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to DeCA that have a direct effect on the determination of material amounts and disclosures in DeCA's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to DeCA. We caution that noncompliance may occur and not be detected by these tests.

#### Intended Purpose of Reporting on Compliance and Other Matters

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with GAGAS in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements and other matters is not suitable for any other purpose.

#### DeCA's Comments

DeCA's comments on this report are included in Appendix C. DeCA concurred with the findings in our report.

*SiKich CPA LLC*

Alexandria, VA  
December 10, 2025



## APPENDIX A: SIGNIFICANT DEFICIENCIES

During our engagement to audit the fiscal year (FY) 2025 Defense Commissary Agency (DeCA) financial statements, we identified deficiencies in internal control over financial reporting. These deficiencies include three significant deficiencies, as described in this appendix. DeCA management was aware of these deficiencies and had already begun implementing corrective action plans (CAPs). For brevity and clarity, we have not provided all the details related to specific programs, systems, or account balances in this appendix. We provided those details separately to DeCA management and other stakeholders through Notices of Findings and Recommendations.

### SIGNIFICANT DEFICIENCY 1: INVENTORY (REPEAT)

**Condition:** DeCA's internal controls are not effectively designed to ensure that its inventory records (1) reflect quantities that exist, and (2) are complete and accurate. Specifically, we observed third-party inventory counts, performed test counts, and performed relevant reconciliation procedures for a sample of 12 of the 234 commissaries. As a result of our testing, we observed the following errors in DeCA's inventory records:

- DeCA erroneously recorded inventory products together when it should have recorded the products separately, thereby reducing the reliability of its inventory records.
- DeCA inappropriately recorded tobacco products in its inventory records. Because Tobacco products are held on consignment by DeCA's commissary stores, they should not be included in DeCA's inventory valuation.
- DeCA's inventory records did not include display inventory products from vendors and shippers. Display inventory products are inventory products that are enclosed in store displays and contain multiple grocery items.
- DeCA either did not include high-sale inventory products in its inventory records or did not record these products accurately. High-sale inventory products are inventory products that vendors/shippers directly deliver and stock at DeCA's commissary stores.
- Of the sampled Universal Product Codes (UPCs), 86 percent had actual quantities that differed from the quantities DeCA reported in its inventory records by more than 10 percent.

DeCA has implemented a compensating control by contracting third parties to perform interim inventory counts. However, the contractors perform the inventory counts at various times across commissary locations, and they do not always perform inventory counts at or near year-end, in time for financial reporting.

**Criteria:** Recognition and valuation requirements set forth in SFFAS 3, *Accounting for Inventory and Related Property*.

*Department of Defense, Federal Management Regulation (FMR), Volume 4, Chapter 4, 4.3 Valuation of Inventory*, states, "The Department's policy is that inventory must be valued at historical cost using the MAC<sup>1</sup> flow assumption. However, the Department has also approved the specific identification method for use with serially managed items, and the LAC<sup>2</sup> flow assumption for the valuation of DeCA grocery and household product inventories. (Note: When LAC valuation is used, the inventory is revalued periodically and an allowance account is established for the unrealized holding gains and losses so that the LAC method approximates historical cost.)."

<sup>1</sup> Moving Average Cost.

<sup>2</sup> Latest Acquisition Cost.





**Cause:** DeCA is in the process of implementing a perpetual inventory system and therefore does not currently track inventory accurately on a perpetual basis.

DeCA has 235 commissaries located on military bases worldwide. Given the size and scope of these locations, it is impractical for DeCA to perform inventory counts across all of its locations at year end.

**Effect:** DeCA's ongoing transformation from a periodic inventory system to a perpetual inventory system and the time lapse between the interim inventory counts and year-end financial reporting elevates the risk of undetected errors in commissary inventories and in the accuracy of reported balances on its financial statements.

**Recommendations:** We recommend that DeCA:

- Implement an inventory warehouse system and an inventory financial accounting system to allow for end-to-end automated inventory valuation and accurate balance-on-hand reporting, respectively.
- Develop standard comprehensive inventory reports that store managers can generate for review and analysis.
- Ensure that it records all shippers in its inventory.
- Review its policies and procedures for performing and reporting on regular random inventory counts at the product level.
- Review its process for accounting for direct ship and delivery (DSD) items.
- Review its allowable tolerance levels based on store size and its guidance for addressing out-of-tolerance situations based on the results of periodic cycle counts.
- Establish procedures for comparing product-level inventory reports to general ledger balances, taking into account normal timing differences.

#### **SIGNIFICANT DEFICIENCY 2: FUND BALANCE WITH TREASURY (REPEAT)**

**Condition:** DeCA has Fund Balance with Treasury (FBWT) control deficiencies around its collections and disbursements, suspense accounts, and statements of differences (SODs).

Specifically, during our review of DeCA's FBWT reconciliation, we noted a significant number of unmatched collections and disbursements that were older than 60 days, as well as a lack of documented policies and procedures over FBWT.

In addition, DeCA, in coordination with its service organization, has not implemented sufficient internal control activities to ensure that transactions recorded in suspense accounts do not contain DeCA collections and disbursements that DeCA should recognize in its accounting records. Suspense accounts are designed to temporarily hold unidentified transactions until the organization classifies the transaction under the proper receipt or expenditure account. Although DeCA's service organization prepares quarterly suspense materiality assessments to identify the total number and amount of suspense account transactions attributable to DeCA and other Defense agencies, the uncleared suspense transactions included in the assessment are material, and DeCA does not perform an independent analysis comparing its unresolved suspense transactions to the Department of Defense's (DoD's) overall universe of suspense transactions. Additionally, DeCA cannot rely on its current processes to ensure that it prevents, or detects and corrects, misstatements in time for quarterly and year-end reporting.

Finally, DeCA does not perform an independent analysis to determine the potential portion of unresolved SOD transactions that may be attributable to it. SODs arise from differences between the actual amounts disbursed and collected and the corresponding amounts reported to the U.S. Department of the Treasury (Treasury). DeCA, in coordination with its service organization, has not implemented monitoring controls to





ensure that the transactions that compose the SOD balances in DeCA's primary Disbursing Station Symbol Number (DSSN) do not contain DeCA collections and disbursements that DeCA should recognize in its accounting records. We noted that DeCA's service organization prepares a quarterly SOD materiality assessment at the DSSN level to identify the total count and dollar value of the SOD transactions attributable to DeCA and other Defense agencies. However, DeCA cannot rely on the current processes to ensure that it prevents, or detects and corrects, misstatements in time for quarterly and year-end financial reporting.

**Criteria:** Treasury Financial Manual (TFM) Volume 1, Part 2, Chapter 5100: *Reconciling FBWT Accounts*, states: "...Agencies must compare their USSGL account 101000 transactions in their internal ledgers with the Fiscal Service report and must reconcile any differences..."

DoD FMR Volume 4, Chapter 2, Section 2.7: *FBWT Reconciliation*, states:

*Reconciliation is not complete until all differences are identified, aged, accountability is assigned, and differences are explained. Once reconciliations are complete, appropriate actions must be documented and any necessary adjustments must be recorded. The corrective action must address the root cause of the difference in order to prevent recurrence.*

DoD FMR Volume 4, Chapter 2, Section 8.7: *Treasury Budget Clearing (Suspense) Accounts*, states:

*8.7.2. Effective FBWT reconciliations include clearing transactions recorded in Treasury budget clearing accounts (suspense accounts) in a timely manner (see paragraph 020806). On behalf of the Components, [Defense Finance Accounting Service (DFAS)] must be able to provide:*

*8.7.2.1. A list of individual vouchers and dollar amounts that comprise/equal the difference between Treasury, disbursing system activity and accounting system trial balance amounts for monthly reconciliations;*

*8.7.2.2. Vouchers, records, reports, disposition and supporting documentation for all transactions posted to the suspense accounts for auditor-selected sample items for monthly reconciliations. Components with key supporting documents must provide it as requested.*

*8.7.2.3. A monthly list of journal vouchers and dollar amounts (by Component) that comprise/equal suspense account amounts at year-end; and*

*8.7.2.4. Journal vouchers and supporting voucher documentation that demonstrates the voucher was recorded to the appropriate Component. DoD Components must maintain records for transactions input into their general ledger.*

DoD FMR Volume 4, Chapter 2, Section 8.5: *Reconciliation of FBWT for Comparison of Transactions*, states, "8.5.2. Components must comply with certain operational requirements and deadlines when performing reconciliations to compare transactions."

DoD FMR Volume 4, Chapter 2, Section 8.3: *Treasury Reconciliation Requirements*, states:

*Treasury requires reconciling FBWT accounts to the Treasury reported amounts by Department, Period of Availability, and Main Account (i.e., [Treasury Index], fiscal year, and fund symbol) monthly. During reconciliation, DFAS and their Component customers must:*

*8.3.1. Research and resolve the underlying causes of differences reported by the Treasury on the SOD (FMS 6652) each month and make corrections to monthly Treasury reports and agency accounting records.*

*8.3.2. Reconcile general ledger balances by Department, period of availability, and main account with the balances reported by Treasury.*





8.3.3. Ensure that all adjustments are researched and traceable to supporting documents in accordance with I TFM 2-5100.

8.3.4. Document detailed reconciliations and make available to auditors and Treasury if requested, as instructed in I TFM 2-5100.

8.3.5. Ensure differences recorded in Treasury budget clearing accounts (suspense accounts) are reconciled monthly as instructed in I TFM 2-5100, and moved to the appropriate [Line of Accounting (LOA)] within 60 business days from the date of transaction. In accordance with TFM Volume I, Bulletin 2020-05, the agency Chief Financial Officer (CFO) must annually certify that the ages of the balances in the suspense accounts are no more than 60 business days old with clear explanations of exceptions.

DoD FMR Volume 4, Chapter 2, Section 8.4: Other Defense Organizations Reconciliation Requirement, states:

8.4.5. DFAS and DoD Components must also demonstrate they have controls in place to ensure that amounts reported daily or monthly to Treasury reconcile to collections and disbursements processed through the disbursing systems and recorded accurately and timely in the accounting systems. Monthly Treasury reporting includes SF 224 or SF 1219 and SF 1220 by DFAS or other federal agencies (e.g., Department of State and General Services Administration). Components who are the [Agency Location Code (ALC)] Designated Agents and submit information to Treasury on the SF 224, SF 1219, or SF 1220 must ensure that the information matches what is submitted to DFAS. Any differences between what was submitted to Treasury and what was submitted to DFAS must be corrected by the ALC Designated Agent (either DFAS or the Components) in 15 business days after identification by DFAS.

**Cause:** DeCA, in coordination with its service organization, has not implemented sufficient and effective policies and procedures for monitoring the FBWT source data it uses in its monthly Advancing Analytics (Advana) reconciliations.

In addition, DeCA and its service organization have not designed and implemented a methodology for determining the full financial reporting impact of DoD suspense account and SOD balances on DeCA's financial statements.

Finally, the method that DeCA's service organization uses to create the universe of transactions (UoT) for DeCA's SODs is a time-intensive and manual process that requires the consolidation of multiple files from various sources. Further, these SOD UoTs contain a high volume of collections and disbursements that require manual research and resolution. Though DeCA's service organization has a process to review and assign transactions to other Defense agencies, the transaction assignments are not final and DeCA cannot rely solely on the current processes to ensure the SOD balances are attributable to DeCA or other Defense agencies. Although DeCA's service organization has continued its efforts to identify the root causes of the issues by DSSN to reduce the SOD balances and attribute suspense transactions to DoD entities timely, shared ALCs and lack of LOA information continue to cause issues in resolving differences timely.

**Effect:** Control deficiencies related to collections and disbursements, SODs, and suspense accounts may increase the risk of misstatement of the FBWT line item on the financial statements.

**Recommendations:** We recommend that DeCA, in coordination with its service organization:

- Develop, implement, and document sufficient and effective policies and procedures to ensure the completeness and accuracy of the FBWT source data that DeCA uses in its monthly Advana FBWT reconciliation.





- Develop, implement, and document an effective reconciliation process for identifying and resolving the unmatched disbursements and collections impacting DeCA and ensuring that all resulting adjustments are fully supported within the Advana FBWT reconciliation tool.
- Implement monitoring controls over its accounts receivable and accounts payable recording processes to reduce the risk that amounts of disbursements and collections are not reflected within its financial statements.
- Continue developing procedures to timely determine what portion of the suspense balances, if any, should be attributed to DeCA for financial reporting.
- Review its service organization's cash management reconciliation process and perform an independent analysis to project an estimate of how many of the "TBD"<sup>3</sup> transactions contained within the UoTs are likely to be attributable to DeCA; consider the impact of this projection on the financial statements.
- Review its service organization's suspense and SOD reconciliation process and perform an independent analysis to project an estimate of how many of the "TBD" transactions contained within the UoTs are likely to be attributable to DeCA; consider the impact of this projection on the financial statements.
- Continue developing procedures to timely determine what portion of the SOD balances, if any, should be attributed to DeCA for financial reporting.
- Identify the root causes of differences and implement corrective actions to reduce future FBWT reconciliation differences. Corrective actions should also include actions to resolve overaged transactions.
- Monitor and track the resolution of suspense and SOD balances attributed to DeCA, perform root-cause analyses, and develop compensating controls for financial reporting purposes.

### SIGNIFICANT DEFICIENCY 3: OBLIGATIONS

**Condition:** DeCA, in coordination with its service organization, has not implemented sufficiently designed internal controls to help ensure the accuracy of the obligated balance. Specifically, for certain transactions that we tested in our nonstatistical selection of the obligated balance:

- DeCA does not consistently record transactions for the correct amount.
- Recorded transactions were overstated. DeCA did not properly deobligate the outstanding balances based on the documentation provided or was unable to provide sufficient supporting documentation to evidence the existence of the recorded amount.

**Criteria:** DoD FMR Volume 3, Chapter 8, *Standards for Recording and Reviewing Commitments and Obligations*, Section 16.1, states:

*The [Dormant Account Review Quarterly (DAR-Q)] ... improves the Department's ability to execute all available appropriations before expiration and cancellation. The quarterly review is the inherent ability to track the dormancy and or validity of the DoD Components obligations and [unfilled customer orders] ensuring proper actions are taken to correct and or expedite the timely execution and full utilization of appropriated funds.*

DOD *Financial Improvement and Audit Remediation (FIAR) Guidance*, Section 2.C.4.1, states that reporting entities must track and achieve key capabilities for the financial statement line items. Specifically, an entity must be able to "retain and make readily available supporting documentation to meet audit standards."

---

<sup>3</sup> To Be Determined.





Reporting entities are responsible for ensuring that sufficient, relevant, and accurate supporting documentation is readily available for all line items.

Green Book, Principle 10, states, "Management should design control activities to achieve objectives and respond to risks." Section 10.03 provides further information regarding the design of appropriate types of control activities for an entity's internal control system.

**Cause:** DeCA and its service organization has not implemented sufficient and effective internal control activities to help ensure that the obligated balances are valid and recorded at the correct amount. An effective control environment includes a fully operational, well-designed DAR-Q process that helps ensure recorded balances are valid.

Regarding transactions that we tested in our nonstatistical selection of obligated balances, DeCA does not have an effective process in place to identify, accumulate, retain, and provide for examination sufficient evidential documentation to support recorded transactions.

**Effect:** Collectively, these deficiencies result in an increased risk of misstatements on the statement of budgetary resources and DeCA may fail to detect and correct these misstatements. In addition, DeCA's inability to provide sufficient source documentation to support the accuracy of the obligated balance hinders DeCA from effectively monitoring the design and operating effectiveness of internal controls.

**Recommendations:** We recommend that DeCA, in coordination with its service organization:

- Continue implementing internal controls to help ensure that obligated balances are valid and recorded at the correct amount.
- Strengthen processes for identifying, accumulating, retaining, and providing support for reported transactions and balances.
- Develop new or update internal control policies and procedures to prescribe controls to monitor and strengthen internal control activities to help ensure obligations are recorded completely, timely, and accurately.



## APPENDIX B: NONCOMPLIANCE AND OTHER MATTERS

During our engagement to audit the fiscal year (FY) 2025 Defense Commissary Agency (DeCA) financial statements, we identified one instance of noncompliance, as described in this appendix.

### FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996 (REPEAT)

We tested DeCA's compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA). Specifically, we tested whether the DeCA financial management systems substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger (USSGL) at the transaction level. During FY 2025, we identified instances in which the DeCA financial management systems did not substantially comply with each of the three elements required by FFMIA Section 803(a).

#### Condition:

##### 1. Federal Financial Management Systems Requirements

DeCA relies on a large portfolio of systems that it and the Department of Defense (DoD) own and operate. Most of DeCA's proprietary mission-critical business and financial systems are supported by aging and outdated technology and are in need of replacement to address performance, reporting, and system interface issues.

Below, we present a summary of planned systems implementations, including relevant key business processes, current and planned future systems, and the status of the implementation<sup>4</sup>.

Business Process	Current System	Future System	Implementation Status
Resale Supply Ordering/Cost Management	DeCA Interactive Business System (DIBS)	EBS 2.0	Expect to be completed in FY 2028
Distribution Center Inventory Management	Manhattan WMS	EBS 2.0	Expect to be completed in FY 2028
Voucher/Coupon Management	Standard Automated Voucher Examination System (SAVES)	EBS 2.0	Expect to be completed in FY 2028
Financial Accounting	Standard Financial System (STANFINS) - (re-sale items only)	EBS 2.0	Expect to be completed in FY 2028
Inventory Management	Automated Inventory Management System (AIMS)	EBS 2.0	Expect to be completed in FY 2028

DeCA uses two separate accounting systems—STANFINS and the Defense Agencies Initiative (DAI)—to process financial transactions. Specifically, DeCA uses STANFINS to record resale funds and inventory

<sup>4</sup> The accompanying table below provides an initial mapping of DeCA systems transitioning to EBS 2.0, focusing upon specific legacy DeCA systems and business processes. It is not intended to represent all DeCA systems and business processes, which will be transitioned to EBS 2.0.





transactions and DAI to record transactions associated with the appropriated funds and surcharge collections. STANFINS was developed and implemented prior to the establishment of the federal financial management system requirements (specifically, FFMIA Section 803[a]), and it does not comply with federal financial management systems requirements.

DeCA's Enterprise Business Solution (EBS) 2.0 modernization effort is intended to provide a single system of record for inventory and financial reporting related to goods for resale. This solution for inventory purchasing and management, and—through planned systems implementation—is expected to contain integrated modules for DeCA's various resale business activities.

## 2. Federal Accounting Standards

We identified instances of noncompliance with federal accounting standards, as communicated in Appendix A under Significant Deficiencies 1, 2, and 3. We have provided conditions, criteria, causes, effects, and specific recommendations for corrective actions necessary to help ensure compliance with federal accounting standards as part of Appendix A.

## 3. USSGL at the Transaction Level

STANFINS is a legacy system that does not record transactions in accordance with the standard general ledger accounting requirements at the transaction level. As such, DeCA is required to apply extensive manual processes and execute a large number of journal vouchers (JVs) when preparing its financial statements.

### Criteria:

- FFMIA
- Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix D, *Management of Financial Management Systems – Risk and Compliance*
- Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government*
- DoD Financial Management Regulation (FMR), Volume 1, Chapter 3, *Federal Financial Management Improvement Act Compliance*

**Cause:** The DeCA financial statements are comprised of balances and activities of two accounting systems and dozens of feeder systems. Many of the systems in use were not designed to record and report activity in a manner that would allow for the preparation of financial statements in accordance with standard general ledger accounting requirements at the transaction level. The abundance of information systems (IS), compounded by the legacy nature of the IS in use, has created a complex financial reporting environment, necessitating manual JVs to prepare financial statements.

DeCA is currently performing remediation efforts to correct these matters.

**Effect:** DeCA is not compliant with FFMIA requirements related to applicable federal financial management systems requirements, federal accounting standards, and the USSGL at the transaction level.

**Recommendation:** We recommend that DeCA:

- Ensure the design of the business processes and data structure of the systems planned to be implemented is sufficient to meet DeCA's unique business needs, as well as federal system and accounting requirements.
- Continue to employ compensating control procedures, through additional analytical processes and detailed reconciliations, to ensure period-end financial statements are accurately presented.





- Explore opportunities for all commissaries to report revenues and expenses to DeCA headquarters consistently prior to the new system implementation.
- Continue to monitor the volume and nature of manual JVs to ensure that JVs are used only for transactions that cannot be handled by the current accounting systems (including relevant modules).

## APPENDIX C: DECA'S COMMENTS



DEFENSE COMMISSARY AGENCY  
HEADQUARTERS AND SUPPORT CENTER  
1300 EISENHOWER AVENUE  
FORT LEE, VIRGINIA 22001-1000

December 11, 2025

Mr. Scott Ing, Principal  
Sikich CPA LLC  
333 John Carlyle Street, Suite 500  
Alexandria, VA 22314

Dear Mr. Ing:

In response to the Independent Auditors' Report dated December 10, 2025, of Fiscal Years (FY) 2025, financial statements of the Defense Commissary Agency (DeCA), management generally agrees with all the findings in this report. Specifically, DeCA generally agrees with identified significant deficiencies as noted in the areas of Controls over Inventory, Fund Balance with Treasury and Obligations (Appendix A), and the identified non-compliance related to Federal Financial Systems Requirements (Appendix B).

Over the next reporting period, DeCA anticipates greater work on establishing our Advanced Retail Technology Suite (ARTS) for our Resale business. This includes integration of general ledger data into the designated Department of Defense (DoD) accounting system, Defense Agency Initiative (DAI). Ultimately, with the migration to ARTS and its integration to DAI for our Resale business, we expect to eliminate the non-compliance with the Federal Financial Management System requirement.

I can be reached at (804) 734-8000, Extension 48622, [Rosie.Leonard.Greer@deca.mil](mailto:Rosie.Leonard.Greer@deca.mil).

LEONARD-  
GREER,ROSIE,MARI  
E.1112028311

Digitally signed by LEONARD-  
GREER,ROSIE,MARI  
DN: cn=LEONARD-  
GREER, o=DECA, ou=DECA, email=LEONARD-  
GREER@DECA.MIL, c=US

Rosie Leonard-Greer  
Acting Chief Financial Officer

Approved: Committed to our Mission

## Section III

### Other Information





## Summary of Financial Statement Audit and Management Assurances

**Table 1: Summary of Financial Statement Audit**

Audit Opinion	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
NONE	0	0	0	0	0

Audit Opinion	Unmodified				
Significant Deficiencies	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Item 1 Inventory	1	0	0	0	1
Item 2 Fund Balance With Treasury	1	0	0	0	1
Item 3 Obligations		1	0	0	1
Total Significant Deficiencies	2	1	0	0	3

**Table 2: Summary of Management Assurances**

Effectiveness of Internal Control over Financial Reporting (FMFIA 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
NONE	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
NONE	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Federal Financial Management System Requirements (FMFIA 4)						
Statement of Assurance	Federal Systems conform, except for DeCA's Resale Accounting system does not comply with the Federal Financial Management Improvement Act of 1996.					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Item 1	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1

## **Management Challenges**

In FY 2025 the DoD Office of the Inspector General issued the following top DoD Management and Performance Challenges:

1. Increasing Military Readiness
2. Strengthening the Capabilities and Capacities of Allies and Partners
3. Protecting Defense Critical Infrastructure
4. Improving Financial Management
5. Improving Quality of Life for Military Families
6. Building the Future Force

DeCA does not have a statutory Inspector General's office.

## **Payment Integrity**

The Payment Integrity Information Act of 2019 (PIAA) (Pub. L. 116-117), requires Agencies to review and assess all programs and activities they administer and identify those determined to be susceptible to significant improper payments (Ips), estimate the annual amount of Ips, and submit those estimates to Congress. In accordance with DoD 7000.14-R FMR, Volume 4, Chapter 14, Improper Payments, DoD components that entitle (i.e. process or compute) payments conduct risk assessments of their payment processes and random post-payment reviews to estimate IPS.

The OUSD(C) Accounting & Finance Policy Directorate (A&FP) compiles the Department-wide results annually as part of DoD's AFR. As DeCA's Service Provider, DFAS entitles payments and provides the results of post-payment reviews to OUSD(C) A&FP on behalf of its customers. OMB Circular A-123. Appendix C defines an IP as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes duplicate payments, and any payments made to an ineligible recipient, and payment for an ineligible good or service, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit of applicable discounts.





## Glossary of Acronyms

ADA	–	Anti-Deficiency Act
AFR	–	Agency Financial Report
ARTS	–	Advanced Resale Technology Suites
CCSS	–	Commissary Customer Service Survey
CDC	–	Central Distribution Center
CEO	–	Chief Executive Officer
CFO	–	Chief Financial Officer
CMO	–	Change Management Office
CONUS	–	Continental United States
CPI	–	Continuous Process Improvement
CSAT	–	Customer Satisfaction Survey
CSRS	–	Civilian Service Retirement System
CUEC	–	Complimentary User Entity Controls
DAI	–	Defense Agencies Initiative
DeCA	–	Defense Commissary Agency
DFAS	–	Defense Finance & Accounting Service
DHA	–	Defense Health Agency
DoD	–	Department of Defense
DOL	–	Department of Labor
DSD	–	Direct Store Delivery
ELA	–	Enterprise Level Agreement
FBWT	–	Fund Balance with Treasury
FASAB	–	Federal Accounting Standards Advisory Board
FECA	–	Federal Employees Compensation Act
FEGLI	–	Federal Employees Group Life Insurance
FEHB	–	Federal Employee Health Benefits
FERS	–	Federal Employees Retirement System
FFMIA	–	Federal Financial Management Improvement Act of 1996
FMFIA	–	Federal Managers' Financial Integrity Act
FY	–	Fiscal Year

GAO	–	Government Accountability Office
GF	–	General Funds
GPRAMA	–	Government Performance and Results Modernization Act
ICOFR	–	Internal Controls over Financial Reporting
ICOFS	–	Internal Controls over Financial Systems
IDEAS	–	Improve Defense Commissary Agency’s Efficiency and Service
JV	–	Journal Voucher
KVI	–	Key Value Item
NDAA	–	National Defense Authorization Act
OMB	–	Office of Management and Budget
OPM	–	Office of Personnel Management
OSD	–	Office of the Secretary of Defense
OUSD	–	Office of the Under Secretary of Defense
PIIA	–	Payment Integrity Information Act
PP&E	–	General Property, Plant & Equipment
P&R	–	Personnel & Readiness
RMIC	–	Risk Management and Internal Control
Program RSI	–	Required Supplemental Information
SBR	–	Statement of Budgetary Resources
SFIS	–	Standard Financial Information Structure
SFFAS	–	Statements of Federal Financial Accounting Standards
SWOT	–	Strength, Weakness, Opportunities and Threats
Treasury	–	United States Department of the Treasury
US	–	United States
U.S.C.	–	United States Code
USAF	–	United States Air Force
USMC	–	United States Marine Corps
USSGL	–	United States Standard General Ledger
WCF	–	Working Capital Fund



