
FEDERAL MANAGERS'
FINANCIAL INTEGRITY ACT

FY 2011
STATEMENT OF ASSURANCE



DEPARTMENT OF THE NAVY

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DEPARTMENT OF THE NAVY
UNDER SECRETARY OF THE NAVY
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

26 August 2011

MEMORANDUM FOR SECRETARY OF DEFENSE

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

As the Under Secretary of the Navy, I recognize that Department of the Navy (DON) managers are responsible for establishing and maintaining effective internal controls to meet the FMFIA objectives. Information to support this certification statement was derived from information provided by lower level subordinate command management through their FMFIA Certification Statements, audits, inspections, management reviews, and insight gained from daily operations of programs and functions. TAB A-1 provides information on how DON conducted the assessment of internal controls consistent with the Office of Management and Budget (OMB) Circular A-123, *"Management's Responsibility for Internal Control."* In addition, TAB A-2 provides a summary of significant accomplishments achieved during the reporting period to improve the overall Department's internal control environment.

For the Fiscal Year (FY) 2011 reporting period, the DON has not identified any new material weaknesses and is continuing efforts to resolve these prior material weaknesses: Safeguarding Personally Identifiable Information, The Effective Use of Earned Value Management across Navy Shipbuilding Programs, Attenuating Hazardous Noise in Acquisition and Weapons System Design, and Management of Communications Security Equipment. TAB B provides an individual narrative for each uncorrected material weakness. As of the date of this memorandum, I am able to provide a qualified statement of reasonable assurance that DON's system of internal controls over non-financial operations meets the FMFIA administrative and mission objectives.

The DON conducted assessments to determine the effectiveness of the DON General Fund's Internal Control over Financial Reporting (ICOFR) processes for the following implementation areas: Collections and Disbursements, Procure-to-Pay Processes, Real Property, General Equipment, Military Equipment, and Operating Materials and Supplies. The DON also conducted assessments to determine the effectiveness of the Navy Working Capital Fund's ICOFR processes for: Collections and Disbursements, Procure-to-Pay Processes, Inventory, Real Property, and General Equipment. These assessments were conducted in strict compliance with OMB Circular A-123, Appendix A, and as directed by Department of Defense (DoD) guidance.

Despite this progress in improving financial management processes by the Navy and Marine Corps team, the number of acknowledged material weaknesses, leads me to

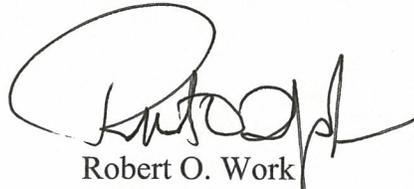
SUBJECT: Annual Statement Required Under the Federal Managers' Financial Integrity Act (FMFIA)

assert no assurance on the effectiveness of ICOFR for both the DON General Fund and Navy Working Capital Fund. Progress on corrective actions related to prior period material weaknesses were reported to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) on 11 July 2011. The ICOFR assertion letter signed by the Chairman of the DON Senior Assessment Team is attached.

The DON is accountable for ensuring its internal controls over Integrated Financial Management Systems (IFMS) are in conformance with the requirements of the Federal Financial Management Improvement (FFMIA) Act of 1996, the OMB Circular No. A-127, and as prescribed by DoD 7000.14-R, Volume 1, Chapter 3, "*Federal Financial Management Improvement Act of 1996 Compliance, Evaluation, and Reporting*," October, 2008. According to guidelines set by OUSD(C), the financial management systems owned by the DON or those operated by service organizations to support the DON's financial operations must be validated to ensure conformance with FFMIA requirements by a qualified independent auditor. As of this date, the validation has not occurred and I am not able to assert that the DON IFMS is in compliance.

The DON's 2011 Statement of Assurance reflects the Department's internal control environment and activities from prior years. Commands continue to utilize process improvement methodologies to make program management more viable. This has produced an increase in self-reporting activity and the resulting transparency. These improvements support my assurance that the DON's internal control systems continue to contribute to good stewardship, and remain in compliance with DoD policy.

My point of contact is Mr. Michael Moreau. He may be reached at (202) 685-0774 or michael.moreau@navy.mil.



Robert O. Work
Under Secretary of the Navy

Attachments:
As stated

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

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FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT INTERNAL CONTROL EVALUATION PROCESS

Reporting Fiscal Year

The Statement of Assurance (SOA) provides an adequate and timely assessment of the Department of Navy (DON) internal control systems and discloses material weaknesses identified during the 12 month period from 1 July 2010 to 30 June 2011. This established timeframe allows the DON to obtain input from its Major Assessable Units (MAUs) and provide comprehensive plans and schedules to correct any identified deficiencies.

Concept of Reasonable Assurance

The DON senior management evaluated the systems of internal accounting and administrative control in effect during the reporting period according to the guidance in Office of Management and Budget (OMB) Circular No. A-123, "*Management's Responsibility for Internal Control*", dated 21 December 2004. The OMB guidelines were issued in conjunction with the Comptroller General of the United States, as required by the Federal Managers' Financial Integrity Act (FMFIA) of 1982, and codified under Title 31 of the United States Code. Included is our evaluation of whether the systems of internal accounting and administrative control for the DON are in compliance with standards prescribed by the Comptroller General.

The objectives of the systems of internal accounting and administrative control (hereafter referred to as internal controls) of the DON are to provide senior managers with reasonable assurance that:

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

The evaluation of internal controls extends to every responsibility and activity undertaken by the DON and applies to program, administrative, and operational functions. Furthermore, the concept of reasonable assurance recognizes that (1) the cost of internal controls should not exceed the benefits expected to be derived, and (2) the benefits include managing the risk associated with failing to achieve the stated objectives. Moreover, errors or irregularities may occur and not be detected because of inherent limitations in systems of internal control, including those limitations resulting from resource constraints, congressional restrictions, or other factors. Finally, projection of any system evaluation to future periods is subject to risk that the degree of compliance with procedures may deteriorate. Therefore, this statement of reasonable assurance is provided within the limits of the preceding description.

Determination of Reasonable Assurance Status

The Secretary of the Navy (SECNAV), through the Under Secretary of the Navy (UNSECNAV) and the Assistant Secretary of the Navy, Financial Management and Comptroller (ASN(FM&C)), is responsible for the overall administration of the Managers' Internal Control (MIC) Program, which includes developing operational policies and procedures, coordinating reporting efforts, and performing oversight reviews. The MIC Program is decentralized and encompasses both shore commands and afloat forces.

Primary responsibility for program execution and reporting resides within a network of 19 Major Assessable Units, which include the Assistant Secretaries of the Navy, the Chief of Naval Operations (CNO), the Commandant of the Marine Corps (CMC), Secretariat Staff Offices and other entities that report directly to the SECNAV or UNSECNAV. The MAUs provide SECNAV with their own annual FMFIA Certification Statements. These certification statements are used as the primary source documents for the SECNAV's determination of reasonable assurance over the effectiveness of the Department's various systems of internal control.

In addition, the DON's Auditor General, in collaboration with the Deputy Assistant Secretary of the Navy, Financial Operations (DASN (FO)), is responsible for reviewing significant Department-level audit reports and identifying deficiencies that could potentially have a material impact on DON operations. The high degree of collaboration and communication between the Office of Financial Operations' (FMO) MIC Program administrators and the Naval Audit Service (NAVAUDSVC) has resulted in a consistent and comprehensive perspective on the DON's internal control position. The internal control self-assessments provided by the DON's senior managers and the ongoing external perspective provided in program audits serve as the two major inputs to the DON SOA.

The accomplishments included in SOA TAB A-2, along with financial process improvements, closure of audit report recommendations, and self-reporting, are the best indicators that internal controls are in place and effective. Success in achieving the Department's objectives continues to increase the effectiveness of the entire Department, improve the lives of Sailors, Marines and all DON employees, and results in greater security for the Nation. The DON MIC Program is the administrative vehicle for monitoring the Department's systems of internal control.

Internal Control Over Non-Financial Operations

The DON is committed to full disclosure of Material Weaknesses and re-establishing effective controls in those specific areas. We recognize the complementary role of government internal review organizations such as the Naval Audit Service, the Offices of the Inspectors General, and the Naval Criminal Investigative Service in providing areas where control deficiencies are likely. Any areas identified as having a control deficiency are highlighted to the MAUs quarterly for broad management assessment. Any Material Weaknesses reported in this SOA reflect the close collaboration with these oversight organizations.

While the MIC Program is a viable, active, and continuous collaborative effort throughout the DON, it is the periodic review by senior leadership, which ensures current or potential internal

control deficiencies are reviewed, remediated and closed appropriately. The DON evaluated the systems of internal control over non-financial operations reported by the MAUs in accordance with the OMB guidelines. Based on the certification statements provided by the MAUs, and the joint NAVAUDSVC/DASN(FO) evaluation process, there are no new material weaknesses being reported in Fiscal Year (FY) 2011 (Tab B-2). Additionally, TAB B-2 addresses four prior period weaknesses: Attenuating Hazardous Noise in Acquisition and Weapons Systems Design, Safeguarding Personally Identifiable Information (PII), Effective Use of Earned Value Management (EVM) Across DON Shipbuilding Programs, and Management of Communications Security (COMSEC) Equipment. Cumulatively, these weaknesses have corrective action plans extending into FY 2013.

Internal Control Over Financial Reporting

As specified in DoD Instruction 5010.40, “*Managers’ Internal Control Program Procedures*,” the DON issues a separate statement of assurance for Internal Control Over Financial Reporting (ICOFR). This document summarizes identified material internal control weaknesses relating to financial reporting processes and the Department’s plans to correct them.

In FY 2011, the DON embarked on a new initiative to standardize end-to-end business processes that have a financial impact. The Business Process Standardization (BPS) program evaluates relevant business processes across the DON commands to identify variations and work to minimize such variation where possible to achieve the greatest level of standardization. In addition, BPS is intended to strengthen the internal control environment surrounding our business processes which will in turn assist the DON in its efforts to achieve audit readiness.

FY 2011 marked the beginning of a collaborative effort between the Defense Finance and Accounting Service (DFAS) and the DON’s ICOFR and Financial Improvement Program (FIP) teams to reconcile the DON’s Fund Balance With Treasury (FBWT) for two selected appropriations. This pilot project produced clear expectations and requirements for FBWT reconciliations that are audit ready for all Navy appropriations. The FMO ICOFR and FIP teams will continue to partner with DFAS to reconcile FBWT for all DON appropriations by the target date of fourth quarter of FY 2012. As a service provider within the DoD environment, DFAS initiated audit readiness projects, which included preparing its civilian payroll operations for an independent examination engagement under Statement on Standards for Attestation Engagement (SSAE) No. 16 – *Reporting on Controls at a Service Organization*. The DON/DFAS collaboration also extended to fine-tuning and aligning DON’s Civilian Pay business process and internal controls with the payroll services and audit readiness efforts at DFAS.

Through the DON FIP discovery process, documentation efforts continue to prepare other General and Navy Working Capital Fund ICOFR segments for future ICOFR reporting cycles, as the DON moves towards its objective of asserting audit readiness over all financial reporting segments. The DON’s current focus is on achieving the DoD Financial Improvement and Audit Readiness (FIAR) Budgetary Information and Mission Critical Asset Information priorities. Audit ready assertion of the Statement of Budgetary Resources (SBR) is scheduled for the first quarter of FY 2013. A significant portion of the DON’s military equipment assets for existence and completeness were asserted as audit ready in FY 2010, and the remainder of the DON’s

mission critical assets will be audit ready, incrementally by type of asset, through the second quarter of FY 2015. Assertions for the SBR scheduled for FY 2013 include, but are not limited to, segments such as Military Labor, Other Contractual Services (OCS) and Financial Statement Compilation.

The DON continues to implement a process that will over time support full compliance with OMB Circular A-123, Appendix A as it relates to overall Navy and Marine Corps audit readiness. We continue to work closely with participating commands and other stakeholders such as DFAS to identify and evaluate the risks and internal controls surrounding our end-to-end business processes reported on our financial statements. Progress towards audit readiness is evidenced by the assertion of a particular business process or segment as being audit ready. In FY 2011, DON asserted audit readiness for Civilian Pay, and asserted audit readiness of existence and completeness for Operating Material and Supplies (OM&S) – Ordnance, and Military Equipment (ME) – Ships, Aircrafts, Tridents and Satellites.

The Procure-to-Pay process as a whole has been reported as a material weakness on the ICOFR SOA since FY 2005 and has continued to be reported through FY 2011. The historical reporting of material weaknesses for the procure-to-pay process was performed utilizing a high level concept of the segment not giving consideration to the individual elements that comprise the segment. As discovery efforts have moved forward, material weaknesses have been identified in the following elements of the procure-to-pay business process: Transportation Of People (TOP); Reimbursable Work Order (RWO), Grantor; RWO Performer, and Military Standard Requisitioning and Issue Procedures (MILSTRIP). Both the FIP and ICOFR teams will work during FY 2012 to further clarify the nature of such material weaknesses as well as develop corrective actions plans with executable tasks to mitigate the material weaknesses.

The Marine Corps continued improving the documentation of specified business processes to help auditors and others understand financial processes used by the Marine Corps. Although documentation of the processes continues, the revised descriptions were used to identify key controls to test. The Marine Corps' ICOFR program aimed to support DON FIAR objectives by targeting specific evaluations that strengthen the integrated objectives of the DON SBR. For FY 2011 the Marine Corps conducted risk and internal control assessments impacting Budget and Funding, Financial Reporting, RWO, Military Pay, Procurement, MILSTRIP, Miscellaneous Payments, Transportation, and Travel.

As financial improvement and audit readiness efforts are taking place largely within the DON commands, training efforts associated with specific segments have been tailored to individual commands. In doing so, attention is focused on certain "key" controls and the necessary corrective actions that will allow for overall achievement of the DON's assertion goals. In addition to this training, the FMO FIP continues its successful weekly "office hours," a block of time set aside to answer calls and queries about any element of the FIP execution plans whether at the enterprise, command, segment or transaction level. DON FIP is a multi-year Department-wide effort to strengthen Navy-Marine Corps business processes and systems, transforming them so that they better serve worldwide operations. The program's goal is to produce financial information with greater accuracy, reliability, and accessibility.

In FY 2011, the FMO continued efforts to provide support to Navy and Marine Corps personnel who are instrumental in documenting and testing internal controls in our financial reporting process. The DON FIP Conference, held this January, allowed the FMO FIP team to communicate the latest developments and priorities within the ICOFR and audit readiness areas. The annual program conference was attended by approximately 200 DoD/DON personnel, including Major Command Comptrollers, DON FIP Major Command personnel, and representatives from other DoD branches, OSD personnel, and more.

Among the various presentations concerning DoD/DON Audit Readiness, keynote speakers included: the VCNO, the Undersecretary of Defense (Comptroller), the ASN(FM&C), and the DASN(FO). Attendees were given presentations regarding relevant topics such as: internal control implementation and improvement, aspects of a financial audit, DON FIP priorities, and the Navy Enterprise Resource Planning (ERP) Program.

The importance of the DON's FIP activities (e.g. strengthening the field-level internal control environment) and priorities (e.g. assertion of audit readiness of the DON Statement of Budgetary Resources) were emphasized by leadership endorsement during their respective presentations.

In addition to strengthening communication between the DON FIP Program Management Office (PMO) and program stakeholders, attendees were given the opportunity to meet face-to-face with personnel who are typically geographically dispersed. Following the conference, leadership support was taken further as VCNO issued a "Personal For" message to all Commanders, Commanding Officers, and Officers-in-Charge stressing the importance of strong internal controls, the DON audit readiness plan, and accountability of those in charge of financial processes.

Internal Control Over Financial Systems

The ASN(FM&C) FMO and DFAS required validation of all legacy systems' General Ledger (G/L) ending balances against Navy ERP G/L beginning balances. This action stemmed from a key Financial Management Regulation (FMR) requirement stating that the "Ending balances for one reporting period will be perpetuated as the beginning balances for the subsequent reporting period and shall be carried forward without change" (DoDFMR Volume 6A, Chapter 2, Section 020802, B.6). When converting data from a legacy environment to Navy ERP, the validation of those balances is an important tool for auditability and audit readiness. After the Naval Air Systems Command (NAVAIR) initially implemented SAP in 2002, Space and Naval Warfare Systems Command (SPAWAR), FMO and DFAS instituted this validation effort as part of the overall compliance methodology for the deployment of Navy ERP across all commands.

The Naval Supply Systems Command (NAVSUP) independent data validation effort began in October 2009 with the initiation of a mock conversion to practice Go Live strategies for NAVSUP's first phase of transferring legacy data into Navy ERP. The final independent validation followed six months of mock validation efforts during which the FMO Validation Team worked in tandem with each NAVSUP Financial Validation Team to review variances between the legacy ending balances and corresponding Navy ERP beginning balances. With the assistance of the completion of two full mock data conversions (Mock 3 and the Cutover

Practice), the FMO Validation Team was able to begin to identify and reconcile numerous variances prior to the final validation.

NAVSUP fully implemented Navy ERP beginning in March 2010. At that time, the FMO Validation Team undertook the task of completing an independent validation of NAVSUP's seven-part Navy ERP implementation plan. The ending legacy balances and beginning Navy ERP balances were calculated based on the Beginning Moving Average Cost values in Navy ERP calculated at the legacy replacement price. Additionally, there was not an exact match in the amount and identity of comparable legacy G/Ls and Navy ERP G/Ls to validate. Therefore, it was critical that each individual record was validated to the correct United States Standard General Ledger (USSGL) account in Navy ERP to ensure a correct beginning Navy ERP G/L balance.

The FMO Validation Team reviewed every G/L account balance and record value and documented results via a 'Pass' rating when the G/L balances between the legacy system and Navy ERP: 1) initially matched, 2) when differences were explained through verifiable rationale by the site's Financial Validation Team, or 3) when the difference was deemed immaterial. A 'Fail' rating documented G/L accounts for which the balances between the legacy system and Navy ERP were not reconciled and was placed on a list for correction during either Catch-Up or Full Operation Tempo (FOT).

At the conclusion of the independent validation for NAVSUP's Material Group One conversion, the FMO Validation Team was able to validate that 99.13 percent of the values in legacy converted successfully to Navy ERP. Similarly, at the conclusion of the independent validation for NAVSUP's Material Group Two conversion, the FMO Validation Team was able to validate that 99.84 percent of the values in legacy were converted successfully to Navy ERP. The FMO Validation Team rated these two conversions as 'passed' with minor variances to be corrected during FOT. Overall, the FMO validation confirmed the data conversion from NAVSUP legacy systems to Navy ERP was completed successfully.

Additionally, the Marine Corps continues to analyze and improve controls around its financial systems. ICOFR-related activity in information technology (IT) was accomplished in coordination with control testing for the ongoing financial statement audit of the SBR. The focus was to ensure that its core accounting system, Standard Accounting, Budgeting and Reporting System (SABRS), as well as specified feeder systems provide reasonable assurance that IT controls are in place and functioning.

Internal Control Over Acquisition

In accordance with OMB Circular A-123, the DON assessed its Internal Controls over Acquisition Functions using the guidelines set forth in OMB A-123 and OSD Acquisition, Technology and Logistics (AT&L) Guidance to determine whether any new deficiencies or material weaknesses exist within the DON and associated corrective action plans.

The DoD and OMB templates were used as the primary guides for assessing the effectiveness of internal controls over acquisition functions. DON's implementation of controls established in

accordance with DoD Instruction 5000.02, “*Operation of the Defense Acquisition System*,” were evaluated in comparison to elements of OMB Circular A-123 cornerstones (organizational alignment and leadership; policies and processes; human capital; and information management and stewardship).

SECNAV Instructions 5000.2D, “*Implementation and Operation of the Defense Acquisition System and the Joint Capabilities Integration and Development System*,” of 16 October 2008 serves as the fundamental internal control policy for implementation and compliance with statutory and regulatory requirements of DoD Instructions 5000.02 and applies to all acquisition programs; Abbreviated Acquisition programs; Non-Acquisition programs; and Rapid Deployment Capability programs.

The DON Gate Review process established 26 February 2008 via SECNAVNOTE 5000, subsequently incorporated into the SECNAVINST 5000.2D, is the primary mechanism for program insight and governance of Acquisition Category (ACAT) I and selected ACAT II programs. The Gate Review process ensures alignment between Service-generated capability requirements and acquisition, as well as improving senior leadership decision-making through better understanding of risks and costs throughout a program’s entire life cycle. Overall program health is assessed at each Gate Review and addressed in the resulting decision document upon completion of the review.

The DON uses a tool called “Probability of Program Success” as the key metric for assessing overall program health including program requirements; resources; planning and execution; and external influencers. Program health is assessed at all Gate Reviews and is based on weighted criteria depending on the phase of the program.

Current Program Decision Meetings (PDM) as set forth in SECNAVINST 5420.188F, “*ASN Research, Development and Acquisition (RD&A)*,” ACAT Program Decision provides the forum for the Component Acquisition Executive to review program cost, schedule and performance in preparation for a key acquisition decision. These forums may be integrated with the updated Gate Review process.

SECNAVINST 5400.15C of 13 September 2007, “*Department of the Navy, Research, Development and Acquisition, and Associated Life-Cycle Management Responsibilities*,” documents duties and responsibilities of ASN(RD&A); Program Executive Officers (PEOs); Direct Reporting Program Managers (DRPMs); Chief of Naval Operations (CNO); Commandant of the Marine Corps (CMC); and Systems Commands (SYSCOMs). Duties addressed in this policy focus on research and development, acquisition and associated life cycle management and logistics responsibilities. This guidance also emphasizes the necessity for careful management and close oversight by the DON leaders to properly account for resources and to deliver quality products.

The Navy Marine Corps Acquisition Regulation Supplement (NMCARS) establishes uniform DON policies and procedures implementing and supplementing the Federal Acquisition Regulation (FAR) and the Defense FAR Supplement (DFARS). The NMCARS is prepared, issued, and maintained pursuant to the authority of SECNAVINST 5400.15 and applies to all

DON activities in the same manner and to the same extent as specified in FAR 1.104 and DFARS 201.104.

The ASN(RD&A) Dashboard system is a live database that provides SECNAV, ASN(RD&A), the Office of the Chief of Naval Operations (OPNAV), Headquarters Marine Corps (HQMC), SYSCOMs, PEOs, DRPMs, and the Program Managers (PMs) a tool to manage the various ACAT programs with consistent data throughout the Chain-of-Command. PMs must complete Dashboard updates for ACAT I, II, and III programs on a quarterly basis. Dashboard requires general information regarding program milestones and status; and detailed information addressing program assessment, budget information, and metrics information.

The DON uses the Earned Value Management System (EVMS) as a metric to measure contractor performance. Earned Value is an element of program health assessed during the Gate 6 readiness review following the PM's Integrated Baseline Review (IBR) with the contractor. IBR objectives include: assess the Performance Measurement Baseline (PMB) adequacy including identification of risks; achieve a mutual understanding of the PMB and its relationship to EVMS; ensure tasks are planned and objectively measurable relative to technical progress; attain agreement on a plan of action to evaluate any identified risks; and quantify the identified risks and incorporate an updated Estimate at Completion (EAC).

Indicators of practices and activities that facilitate good acquisition outcomes include, but are not limited to, the Naval Capabilities Board (NCB); Resources & Requirements Review Board (R3B); Configuration Steering Boards (CSBs); requirement for Independent Cost Estimates (ICEs); requirement for program Independent Operational Test and Evaluation (OT&E); and the use of Integrated Product Teams (IPTs).

The NCB/R3B recommends validation of all war fighting requirements, including Key Performance Parameters (KPPs) and Key System Attributes (KSAs). The R3B is the Navy's forum for reviewing and making decisions on Navy requirements and resource issues. The R3B acts as the focal point for decision-making regarding DON requirements; the validation of non-acquisition related, emergent, and Joint requirements; the synchronization of Planning, Programming, Budgeting, and Execution (PPBE) milestones; and resolution of cross-enterprise or cross-sponsor issues.

The DON has implemented DoD's requirement for annual CSBs by integrating this function into the Gate Review process. ASN(RD&A), as the Service Acquisition Executive (SAE), chairs the Gate 6 CSB. CSBs consist of broad membership including representation by the Acquisition, Requirements, and Resourcing communities. Gate 6 CSBs review all requirements changes and any significant technical configuration changes which have the potential to result in cost and schedule impacts to programs.

The Naval Center for Cost Analysis (NCCA) prepares life cycle ICEs for those programs delegated to the DON SAE as Milestone Decision Authority (MDA). NCCA also conducts component cost analyses for joint programs for which DON is the lead. NCCA chairs a DON Cost Assessment review of program office and independent life cycle cost estimates and component cost analyses to support major milestone decisions for designated programs. Formal

presentations of estimates are made to the Director, NCCA. Differences in estimates are noted, explained, and documented in a memorandum from NCCA to ASN(RD&A) and ASN(FM&C).

The Commander, Operational Test and Evaluation Force (COMOPTEVFOR) and Director, Marine Corps Operational Test and Evaluation Activity (MCOTEA) are responsible for independent Operational Test and Evaluation (OT&E) of assigned DON programs that require OT&E. COMOPTEVFOR plans, conducts, evaluates, and reports the OT&E of designated programs; monitors smaller category programs; evaluates initial tactics for systems that undergo OT&E; and makes fleet release or introduction recommendations to CNO for all programs and those configuration changes selected for OT&E.

Integrated Product Teams (IPTs) are an integral part of the defense acquisition process used to maintain continuous and effective communications and to execute programs. IPTs may address issues regarding requirements/capabilities needs, acquisition strategy and execution, financial management, milestone and decision review preparation, etc. SAEs and PMs are responsible for making decisions and leading execution of their programs through IPTs. IPTs typically include representation from acquisition functional areas including program management; cost estimating; budget and financial management; contracting; engineering; test and evaluation; logistics; software development; production/quality control; safety; etc. DON effectively balances the use of IPTs with the requirement, via SECNAVINST 5000.2D, for PEOs, SYSCOMs, DRPMs, and PMs to ensure separation of functions so the authority to conduct oversight, source selection, contract negotiations/award does not reside in one person.

Possible Performance Gaps and Corrective Actions

Gap 1 - Some programs continue to execute over cost and behind schedule.

Corrective Action - Various efforts and policy/process updates are underway in DON to improve Acquisition program performance and outcomes: implementation of the new OSD AT&L requirement for Service Cost Positions; updates to the DON Gate Review process with increased focus on Total Ownership Cost; and focus on prototyping and competition to identify, mitigate, manage and/or retire risks earlier in a program's acquisition life cycle.

DON MIC Program

The DON MIC Program continues to expand, reaching managers and coordinators at all levels of the Department. In FY 2011, we worked with our reporting components to train their sub-reporting organization's internal control program coordinators. Training was conducted with the CNO and the ASN(RD&A). We actively participated in program related seminars and presented training modules in support of the DUSN Business Operations and Transformation (BO&T) Continuous Process Improvement Symposium. New MIC Program Coordinators are brought onboard via a one-hour session conducted by the DON MIC Program Administrator and Alternate. The DON MIC Program Administrator is currently supporting the DON/AA efficiency review assessing the potential of merging the MIC Program with Continuous Process Improvement methodologies.

Points of Contact

The DON points of contact for the MIC Program and issues dealing with Material Weaknesses reported in the DON's FY 2011 FMFIA Statement of Assurance are:

- Mr. Dennis Taitano, DASN Financial Operations. Mr. Taitano may be reached at (202) 685-6701, or by email at dennis.taitano@navy.mil.
- Mr. Kevin Frisby, ASN(FM&C)/Office of Financial Operations. Mr. Frisby may be reached at (202) 685-0775, or by email at kevin.frisby@navy.mil.
- Ms. Erica Gaddy, ASN(FM&C)/Office of Financial Operations. Ms. Gaddy may be reached at (202) 685-0791, DSN 352-0791, or by email at erica.gaddy@navy.mil.
- Mr. Michael Moreau, ASN(FM&C)/Office of Financial Operations. Mr. Moreau may be reached at (202) 685-0774, DSN 352-0774, or by email at michael.moreau@navy.mil.

ACCOMPLISHMENTS

For Fiscal Year (FY) 2011, the Secretary of the Navy (SECNAV) identified nine High Priority Objectives (HPO) to guide the DON operations. The following reported accomplishments that could be associated with the Federal Managers' Financial Integrity Act (FMFIA) operational and administrative internal control activities have been aligned with these objectives.

SECNAV HPO – 1: Acquisition Excellence

Commander, U.S. Fleet Forces Command (CFFC)

The United States Fleet Forces Inspector General (USFF IG) conducted an assessment of contract management across USFF Headquarters (HQ) and Echelon 3 commands. The assessment objectives were to determine the extent of dependence on contractors at USFF HQ as well as Echelon 3 commands, verify that internal controls existed over contract support services, and ensure services requested were for valid requirements. As a result of the assessment, recommendations were made concerning oversight and overall management of contracts at USFF HQ and subordinate commands.

Execution of the recommendations resulted in USFF establishing a Contract Management Office (CMO) to serve as the single point of contact for all contract matters and provision of effective internal controls to assist in detecting and eliminating fraud, waste, abuse, and mismanagement. A Contract Requirements Review Board (CRRB) was established to review all service contract requirements and make recommendations to the Comptroller and Commander for approval. CMO developed a contract procedures instruction to assist staff and subordinate commands on procuring contract services. Contract training was developed to cover the proper use and oversight of contractor personnel, estimating contract costs, preparing documents for the CRRB, and Contracting Officer's Representative (COR) responsibilities. USFF's CMO will continue to act as gate keeper to hold staff and subordinate commands to funding ceilings provided for out years of contract support.

As a follow-on accomplishment, Navy Warfare Development Command (NWDC) created a Contract Review Board (CRB) as a vehicle by which to standardize contracting processes. A CRB instruction was promulgated and processes were developed to vet new and recurring contract actions, to monitor spending and to ensure contract visibility at both the command and directorate levels. The CRB process formalized numerous control and monitoring processes to improve efficiency and to promote enhanced stewardship of assets.

Space and Naval Warfare Systems Command (SPAWAR)

In response to findings in Naval Audit Service Report No. N2010-0042, *Service Contracts at SPAWAR and SPAWAR Systems Centers*, SPAWAR began actively managing CORs through a central point of contact. This SPAWAR COR Oversight Monitor now handles all designations, training and monitoring of CORs' performance. With the establishment of the COR Oversight position, the new Defense Acquisition University (DAU) COR Training Course was created, dedicated training has been provided, and a more over-the-shoulder approach to teaching CORs how to review an invoice for payment has been implemented.

The designation of a SPAWAR COR Oversight Monitor to manage the CORs has improved controls over the review and approval of contractor invoices. This COR training has resulted in increased oversight of the contractors, more quality service being provided, and more efficient operations. These efforts help ensure the Government is obtaining services contracted for and contractor performance is monitored through the use of Quality Assurance Surveillance Plans made a part of each service contract.

Program Execution Officer (PEO) Command, Control, Communications, Computers, & Intelligence (C4I)

PEO C4I assessed 100 percent of Pre-Acquisition Efforts and ACAT Programs utilizing the Navy's Probability of Program Success (PoPS) Tool. The assessment provided PEO C4I leadership with timely and pertinent info regarding program health and risks. For the FY 2011 reporting period, PEO C4I maintained a 90 percent or greater Acquisition Program Baseline (APB) Compliance Rating and provided the Fleet capability on schedule and within budget.

Thirty-seven successful Decision Reviews drove higher-quality planning documents and program controls that complied with statutory and regulatory requirements. PEO C4I crafted an alternative set of management controls / guidance for pilot programs using the Defense Science Board Information Technology (IT) Streamlining process which is laying the foundation for a new Navy paradigm to acquire IT that could significantly speed capability to the Fleet.

HPO – 2: Taking Care of Our People

Naval Safety Center (NAVSAFECEN)

Human and causal factors are prevalent in Navy on and off-duty mishaps. Better decision-making by our younger Sailors will continue to help bring down mishaps. The following examples highlight the ongoing efforts of the NAVSAFECEN.

The Human Factors Analysis Classification System (HFACS) was introduced in the Naval Aviation Safety Program in April 2009. 466 Class A and B mishaps have been coded into the HFACS database over the past two plus years, enabling NAVSAFECEN to look at mishaps from an epidemiological standpoint. NAVSAFECEN Aero medical personnel conducted an initial "thread analysis" looking at causal factors. The various data points were collected into an Excel mishap master database that allowed NAVSAFECEN personnel to look for associations between mishap characteristics such as spatial disorientation, fatigue, and crew resource management. This effort has proven to be very useful in debriefing selected communities and recommending remediation by aircraft community and type.

NAVSAFECEN's Aviation Safety Awareness Program (ASAP) facilitates self-reporting by aircrew and maintenance personnel in the documentation of data that would otherwise not be collected or, at best, remain anecdotal information. ASAP provides a means for identifying and quantifying safety related factors such as environmental influences on operations, skill-based errors and non-compliance with Standard Operating Procedures (SOPs), as well as praiseworthy actions of personnel. Now a fully developed Fleet Safety and Analytical Tool, ASAP has proven

beneficial in day-to-day operations. Examples include: alerts of unsafe practices were identified and mitigated with greater speed and accuracy; aircrew reports of aircraft systems related malfunctions helped quantify the problem, and a lack of basic emergency procedures skills and proficiency were discovered.

The Military Flight Operations Quality Assurance (MFOQA) program uses existing flight data that is recorded on each flight to provide Aircrew and Maintenance personnel with vastly improved debrief capabilities. Using prototype capabilities, Fleet users have proven quantifiable benefits in day-to-day operations such as: animated flight replays that reduced multi-ship debrief times by as much as one third; and timely post flight data visualization aided systems troubleshooting, resulting in an 8-hour time savings to diagnose an engine malfunction and a recurring flight control system failure, as well as an aggregate analysis that enabled the detection of Naval Aviation Training and Operating Procedures Standardization/Standard Operating Procedures (NATOPS/SOP) deviations and the mode of flight most prone to the anomaly.

NAVSAFECEN efforts in re-vitalizing Operational Risk Management (ORM), developing and deploying Time-Critical Risk Management (TCRM) and integrating risk management concepts into the decision making process of our DON military and civilian personnel, both on and off duty, have had a positive impact in helping our workforce to be more successful. Updates to four on-line training modules: 1) Managing Your Risk, 2) Managing Your Team's Risk, 3) Leading Risk Management Integration, and 4) Directing Your Command's Risk Management, were completed and posted to the Navy e-Learning site in December 2010.

Improvements were required in the ORM training during the execution of operations beginning with a Sailor's training at Recruit Training Center (RTC) Great Lakes, or officer accession points, and continuing throughout a Sailor's career. TCRM was incorporated into the revision of the ORM instruction highlighting the requirement for TCRM training at all accession points. NAVSAFECEN in coordination with Naval Service Training Command (NSTC) developed a training module that is given to all recruits during their initial indoctrination to the RTC. TCRM is threaded throughout the RTC curriculum specifically during high-risk training events as well as normal day-to-day operations. Additionally, great progress has been made working with the Reserve Officer Training Corps (ROTC) program coordinators and the Naval Academy to incorporate TCRM in officer training.

NAVSAFECEN and other Service Safety Centers collaborated to develop new and innovative seasonal safety campaigns that raised recreational activity safety awareness to unprecedented levels. These highly effective campaigns used every available means to distribute information and tools such as: message traffic, eBlasts, Facebook, YouTube and Twitter postings, downloadable presentations, safety videos, magazines and more that could be used by individual Sailors, as well as command leadership and safety professionals. Of particular note were the combined efforts of the Office of the Chief of Naval Operations (OPNAV) N135, *Navy Alcohol and Drug Abuse Prevention*, Commander, Navy Installations Command (CNIC), Mothers Against Drunk Driving (MADD), "That Guy" Campaign, Hero Campaign, as well as the other Services, to combat alcohol-related mishaps and excessive alcohol use. The partnership contributed to the successful reduction in the number of fatalities caused by excessive alcohol consumption.

NAVSAFECEN also worked with the Chief of Naval Education and Training to develop and deploy a personal firearms safety course hosted on Navy Knowledge Online (NKO). All Sailors who owned personal firearms or who used firearms in recreational activities were required to complete this course. This initiative along with recent personal firearms policy changes and command leadership engagement most likely contributed to the decrease in the number of off-duty personal firearms mishap fatalities and injuries during FY10.

The Coalition of Sailors Against Destructive Decision Making (CSADD) program was officially introduced into the Naval service in June 2010 to help mitigate poor decision making through the use of peer-to-peer mentorship. The program was designed to positively influence Sailors' behavior through resources and tools that promote good decision-making processes, enable leadership development and influence among peers at the junior level which, in turn, fosters both an attitude and atmosphere conducive to good order and discipline. Provisions of this program apply to all active and reserve personnel, and primarily focus on influencing Sailors in the 18 to 25 year age group. Naval Reserve Officers Training Corps (NROTC) and Naval Junior ROTC units are also encouraged to utilize the CSADD program.

CSADD originated at Commander, Navy Region Mid-Atlantic as a peer influence social group. Since its inception the CSADD program has grown world-wide boasting over 180 registered chapters. Junior Sailors around the globe have taken personal ownership of this program and as a result the Navy has seen a heightened level of awareness and significant improvement in areas such as bystander intervention, sexual assault mitigation and awareness, responsible use of alcohol, and safety.

Marine Corps

Marine Corps Commanders needed a tool to monitor the command's compliance with ground safety requirements. The Warrior Preservation Status Report (WPSR) provides a measurement tool designed to assist the Commander in monitoring the strength of the chain of command's safety program and safety culture. The WPSR tracks numerous ground safety requirements such as completion of Command climate surveys, motorcycle training, workplace safety inspections, and tracking the severities of command mishaps and risk assessment codes. The WPSR report enables Commander's to identify high risk areas and prioritize resources to improve Marines' safety and well being. Higher compliance with safety initiatives will provide a greater likelihood to positively influence Marines' behaviors and reduce mishaps.

HPO – 4: Energy

SPAWAR Systems Command (SSC) Atlantic

Prior to FY 2010, SSC Atlantic lacked a focused effort to address environmental issues. At the request of the Commander, SSC Atlantic's Operations Division took the lead to develop a comprehensive strategy and provide oversight for implementing green initiatives command-wide. SSC Atlantic's Operations Division now provides a focal point for oversight of the

command's many initiatives to reduce CO₂ emissions, reduce energy consumption and costs, and improve the environment.

Examples of SSC Atlantic's successful green initiatives include: SSC Atlantic's recycling program collected and diverted over 3,000 pounds of plastic bottles from landfills so far in FY 2011 and saved one metric ton of CO₂ emissions. Lighting modifications, including replacing 1,786 magnetic fluorescent light ballasts with more efficient ballasts and occupancy sensors, produced energy savings of 60 percent with overall payback in 2.6 years and reduced CO₂ emissions by 50 metric tons per month. By replacing the burning of sensitive documents with shredding and recycling, SSC Atlantic reduced CO₂ emissions by 41 metric tons in the first quarter of FY 2011. Replacing local SSC Atlantic publications with digital editions reduced paper consumption by 8,052 lbs per year and CO₂ emissions by 2.6 metric tons per month. Replacing a security van with an electric vehicle saved approximately \$685 per month in fuel and lease expenses with a 30 month payback.

As a result of these green initiatives, Charleston County, South Carolina, recognized SSC Atlantic in the form of the Captain Pride Award, given to the top ten individuals, businesses, governments or civic organizations that have undertaken tasks to improve the environment within the county.

HPO – 6: Drive Transformation – Implement Enterprise Resource Planning (ERP)

In November 2010 the Navy ERP Financial & Acquisition Solution ramped up to Full Operation Tempo (FOT) in the Naval Sea Systems Command (NAVSEA) General Fund (GF). NAVSEA accounts for nearly one-fifth of the Navy's budget, with more than 100 acquisition programs under its oversight. As the NAVSEA GF ERP approached Go-Live, it was decided that a phased approach for certain contracting processes would minimize risks to business operations.

To accommodate this phased approach, a process was developed within the Execution Documentation Subsystem (EDS) Execution Realignment Module (ERM) which facilitated the split of GF allocations, generated in EDS, between ERP and the legacy system, Standard Accounting and Reporting System, Headquarters Claimant Module (STARS HCM). Beginning in FY 2011, NAVSEA was granted authority through the EDS ERM, to generate a "split allocation" for complex contracts which reduced funding interfaced from EDS to Navy ERP by the amount to be executed in STARS HCM. Prior to the development of this "split allocation" process, all GF allocations, regardless of command, were sent to ERP from EDS via an automated interface. The "split allocation" allows visibility of the total funding to be executed (in ERP and STARS) and eliminates exceeding budget controls. To facilitate a review of these complex contracts, by appropriation and line item, a new EDS execution report, *Status of Navy ERP Allocation Reconciliation*, was also developed.

The Navy ERP Program Office also celebrated a successful Naval Supply Systems Command (NAVSUP) Material Group 2 Go-Live in November 2010, followed by Material Group 3 in March 2011. The Naval Inventory Control Point is 100 percent reliant on the Navy ERP System. In March 2011, Operational Test and Evaluation Force (OPTEVFOR) recommended full fielding of Navy ERP Systems Single Supply Solution. The Single Supply Solution at NAVSUP brought

approximately 4,000 new users to the system. At NAVSUP, Navy ERP now handles more than 400,000 different Navy line items of repair parts, components, and assemblies for ships, aircraft, and weapons.

Another ERP activity undertaken during the FY 2011 reporting period involved the Standard Financial Information Structure (SFIS). SFIS is a common methodology that allows revenues and expenses to be reported by programs that align with major goals versus by appropriation categories. SFIS allows decision-makers to evaluate programs across the Department of Defense (DoD) enterprise and provides a basis for common valuation of DoD programs, assets, and liabilities.

A working group consisting of Navy ERP, Defense Finance and Accounting Service (DFAS), the Business Transformation Agency (BTA), and FMO-1 personnel was established to implement a compliant SFIS file format with all required data elements for GF and Working Capital Fund (WCF) activities resident in the Navy ERP. There were many challenges which had to be met and overcome in order to ensure consistency of reporting financial data in a SFIS compliant format that originates in Navy ERP thru the Defense Data Repository System (DDRS) and ultimately factors into the monthly, quarterly, and annual financial statements.

The DFAS/Navy ERP team partnered with the Navy and DFAS Cleveland's Accounting Operations and Departmental Reporting Division in implementing an SFIS file format for the Navy WCF. The SFIS file format was successfully implemented for February 2011 reporting. SFIS standardizes financial reporting across the DoD, allowing for better management of funds by utilizing data elements needed to post transactions to the Department's general ledgers and supports the generation of financial statements. The Navy ERP Program Office and the DDRS Program are continuing to work with DFAS to provide an SFIS compliant format for the General Fund.

HPO – 7: Increase Efficiencies

Government Purchase Card Program

Using preventive and detective controls, Assistant Secretary of the Navy (Energy, Installations and Environment) (ASN(EI&E)) standardized the purchase request process. Government Purchase Card (GPC) holders now use the same supply requests forms and logs. Through monthly and semi-annual audits, the organizations reduced cardholders' use of non-mandatory sources to less than one percent. Refined Internal Operating Procedures encourage a better understanding of internal controls and compliance procedures when using the GPC to procure goods and services. As a result, during this year's DFAS desk-top audit; the command received the highest rating of "Acceptable," with no repeat findings and no deficiencies. Agency Program Coordinator (APC) established monthly meetings to inform cardholders of changes in policies and procedures and to address issues that may be design and control deficiencies.

As a result of deficiencies discovered in an annual internal audit, the Office of Small Business Programs (OSBP) established a checks and balance process for their office's purchase card. OSBP has one authorized purchase card user, the Staff Analyst. All purchases approved by the

Approving Official (AO). The Receiving Official verifies that all purchase have been received by matching the order with the invoice. Monthly purchase card statements are reviewed by the Staff Analyst and signed by the AO. Once the AO signs the statement, the statement is submitted for payment through Citibank, where signature verification is required by the AO.

In the second quarter of FY 2011, the Deputy Under Secretary of the Navy (Plans, Policy Oversight and Integration) (DUSN(PPOI)) underwent a GPC AO and Certifying Official (CO) turnover as part of Deputy Military Assistant (DMA) relief process. To assist the Department of the Navy Assistant for Administration (DON/AA) GPC Agency Program Coordinator (APC) streamline AO/CO hierarchy to create more efficient reporting and coordination processes, DUSN(PPOI) volunteered to assume the AO/CO responsibilities for its own GPC program, DUSN(PPOI) accepted the AO/CO responsibilities for the Office of the Under Secretary of the Navy (UNSECNAV), the DON Sexual Assault Prevention and Response Office (SAPRO), the Executive Agent for Maritime Domain Awareness (EAMDA) in OPNAV and the Operations Integration Group (OIG). The incumbent DMA conducted four hours of online training and two hours of face-to-face training with the DON/AA APC. This action enhanced DUSN(PPOI)'s visibility and management of FY11 funding to ensure established controls were not exceeded.

Commander, Naval Reserve Forces Command (CNRFC)

In April 2011 CNRFC N33, *Force Travel*, successfully completed the roll-out of the Navy Reserve Order Writing System (NROWS) to the Defense Travel System (DTS) Import/Export to the entire Navy Reserve Force. The N33 team integrated end-to-end travel processes from NROWS to DTS and was the first Reserve Service to successfully complete the NROWS to DTS implementation. Reservists' manually intensive paper driven processes have been dramatically reduced and their flexibility in making travel arrangements has substantially increased. Implementation of Navy Reserve Travel Assistance Call Center between SPAWAR New Orleans, Louisiana, and Travel Assistance Center, Chesapeake, Virginia, enabled CNRFC to provide 24/7 Customer Service to the Force. Processing of travel vouchers has dramatically improved since the responsibility associated with liquidating travel payments has shifted from Personnel Support Detachments to the Reserve Echelon 4/5 commands.

Another noteworthy CNRFC accomplishment involved the removal of the Dependency Data requirement. Selected Reserves (SELRES) previously were required to print/sign/date a Page 2 *Dependency Data*, for every set of Annual Training (AT)/Active Duty for Training (ADT) orders at a considerable manpower cost and risk to sensitive Personally Identifiable Information (PII) data. To mitigate this risk, CNRFC completed the Chief of Navy Reserve's priority to eliminate the requirement for SELRES personnel to provide a paper copy Page 2 when reporting for AT or ADT orders. The effect of this change impacts over 55,000 SELRES personnel, results in manpower savings of approximately 7000 man hours for the Force, and reduces the administrative burden on SELRES, Navy Reserve Activities and Military Pay Offices while enhancing PII protection.

NAVSEA

At NAVSEA, the future success of the DDG 51 (Destroyer, Guided Missile) new construction shipbuilding program was at high risk due to a projected production gap from FY 2011- 2014. To optimize staffing plans in order to preserve the key skill sets at the waterfront, a manning study was performed to leverage resources across Aegis Modernization, DDG 1000, and DDG 51 programs to promote cost sharing and work load balancing for combat system test team activities. In addition, extensive analysis was performed to define core competencies and skill sets in order to supply technical inputs for position descriptions. Integrated Weapons Systems (IWS) personnel worked with resources at multiple shipyards to compile and document current Aegis Test Team (ATT) processes and Standard Operating Procedures.

The efficiencies found from the manning study were used to provide a cost sharing approach for the future test teams. This approach was used in order to identify redundancies and cost avoidance opportunities. The team defined waterfront test requirements for core waterfront test personnel in terms of functions, competencies, and fixed/variable skill sets (management vs. skill and trained positions, respectively). Secondly, the team captured and documented best practices, processes, and procedures and tailored to each program's requirements. To further reduce cost, a strategy was developed to share resources amongst test teams internally and externally during fluctuations of workload by augmentation through other programs. To assist with program sharing and to create an avenue to avoid contract scope conflicts, government Supervisor of Ship Building (SUPSHIP) billets were created to be shared between DDG 51 and DDG 1000 test programs at Bath Iron Works (BIW) in Bath, Maine. Not only will these new billets provide sharing facilitation for common skill sets, but they will also provide cost reduction and retain knowledge management ownership.

NAVAIR

The IT Approval process continues to provide NAVAIR with visibility into IT Acquisitions across the command. OPNAV N2/N6, *Program Integration for Information Dominance*, in coordination with the DON Chief Information Officer (DON CIO), conducted a Lean Six Sigma (LSS) project in 2009 to address Navy Echelon 2 processes for acquiring IT software, hardware and support services. NAVAIR was a participant in this project. Existing IT Approval and IT Procurement Planning processes, as well as existing tools (NAVAIR IT Approval Tool and the Navy Information Management System (NIMS)) were reviewed.

At the conclusion of the LSS project, it was discovered that there was no consistent enterprise workflow process for managing IT inventory and expenditures or ensuring compliance with the myriad of laws, policies and mandates governing IT acquisition. In response, OPNAV N2/N6 stood up a pilot project to determine the feasibility of instituting an enterprise-wide process and system for tracking and managing IT procurements.

NAVAIR developed an IT Approval Tool that was used as a prototype framework for establishing the Navy - Information Dominance Approval System (NAV-IDAS) pilot - an Enterprise IT Expenditure Decision Process. Four Echelon 2 Navy Commands, CYBERCOM, CNIC, the Office of Naval Research (ONR) and the Bureau of Naval Personnel (BUPERS), used

a “mirrored” version of the NAVAIR IT Approval Tool to test the proof concept for a six-month period beginning 1 October 2010. In tandem, Integrated Program Team meetings were held to define functional and interface requirements to build a Functional Requirements document and plan for Initial Operational Capability (IOC) and Full Operational Capability (FOC). At the conclusion of the pilot, OPNAV N2/N6 determined that in order to sustain the momentum gained, the pilot should be extended to run concurrently with the development of an enterprise NAV-IDAS system. The NAV-IDAS program was recently awarded to NAVAIR and work has begun on phase one, which will integrate ten Navy Echelon 2 commands by March 2012. Remaining Navy commands will be phased in thereafter.

NAVAIR/Naval Air Warfare Center, Aircraft Division (NAWCAD) CIO (NAVAIR 7.2) will oversee the effort and provide ongoing operations and maintenance support for pilot users. Once implemented, the enterprise tool will be in use by all Navy Commands, enforced through a SECNAV instruction. This is a significant accomplishment for NAVAIR 7.2 showing their capability to track and manage IT expenditures to be a business practice worthy of repeating across the Department.

Bureau of Navy Medicine (BUMED)

The ongoing Base Realignment and Closure (BRAC) process to combining the surgical workload of National Naval Medical Center (NNMC) Bethesda and Walter Reed Army Medical Center. As a result, NNMC Bethesda is seeing an unprecedented increase in surgery case loads, particularly in critical care provided to Wounded Warriors returning from Iraq and Afghanistan. The Wounded Warrior volume at Bethesda is 750 per year with a projected volume of 3,000 per year after full integration. BRAC construction at Bethesda has also decreased the number of available operating rooms (ORs) from 19 to 7. NNMC Bethesda conducted a risk assessment and evaluated surgical processes to mitigate the risks associated with an increased case load but decreased operating space. The assessment revealed inefficiencies and identified two key processes for internal controls improvement: surgical case cart assembly and inventory management. Improvements in these areas ensured NNMC Bethesda could meet Wounded Warrior and other patient needs while also improving provided services and reducing DoD health care costs.

The surgical process evaluations conducted at NNMC Bethesda revealed that the OR staff was too involved in non-clinical responsibilities such as inventory management. To align OR and materials management staffs with their appropriate responsibilities and standardize inventory management processes, the surgical case cart assembly and supplies management processes were both analyzed.

Surgical case carts hold and transport the consumable and reusable surgical materials. They are customized for each surgery according to the surgeon’s preferences and the type of procedure. To improve the assembly process and enhance inventory controls, the case cart assembly process was standardized. Inventory was moved from the 3rd floor ORs to the basement where the distribution and sterilization departments are located. The distribution staff now stocks 60 percent of supply items and the sterile processing staff stocks 90 percent of the instruments.

To monitor case cart assembly accuracy and completeness, a Communication Log Form and metrics were developed. A dashboard displayed in each department, allows staff and leadership to monitor performance and ensure the case cart assembly process standardization and inventory controls are maintained and operating effectively.

To improve inventory management and to allow for better inventory controls, approximately \$350,000 in excess OR inventory was moved to central distribution and core inventory levels were decreased by 50 percent. Additionally, 670 obsolete items were identified and eliminated from stock and greater than 1,250 maximum stocking levels were developed for core and specialty items. OR shelves were reorganized and carefully labeled to improve ease of supply retrieval during surgeries and to provide greater oversight and control of inventory kept on hand in the OR.

Inventory management was further improved and controlled by refining the surgery preference card process. Preference cards list surgeon's requirements for each procedure. Previously, the cards were documented on decentralized Word documents that were not integrated with the surgical scheduling system. Material requirements for a particular day were forecasted by manually tallying items listed on preference cards, which required over two work hours per day. To improve the process and allow for better coordination and inventory control, over 615 preference cards were entered into the surgical scheduling system. An on-site forecasting tool was developed to provide a consolidated view of all material requirements for a particular day's surgeries. The tool provides stronger inventory control, allows future needs to be reconciled with current inventory and ensures supplies are available for each upcoming procedure.

All of these internal control process improvements and standardizations have generated time and cost savings and eliminated inefficiencies while maintaining and improving patient care at NNMC Bethesda. These best practices will be replicated at other medical treatment facilities within the Navy Medicine enterprise.

SPAWAR

Submission and tracking of Navy Training Systems Plans (NTSP) and Training Planning Process Methodology (TRPPM) documentation has historically been a manual-intensive and complex submission and approval process involving many Navy commands and programs. The Human Analysis and Requirements Planning System / Communication Information Systems and Networks (HARPS/CISN) suite of tools standardizes and consolidates the development, editing, submission, and approval of these documents. The HARPS Communication Management and Analysis Training Tool (CMATT) is an online tool that stores NTSP and TRPPM data in a common database in compliance with OPNAVINST 1500.76B. Since implementing HARPS, SPAWAR has reduced NTSP lead time from 631 days in FY 2007 to 195 days in FY 2010.

Using HARPS, SPAWAR's supported Program Executive Office for Command, Control, Communications, Computers and Intelligence (PEO C4I) met their goal for NTSP annual reviews in FY 2010 and are on track to meet the FY 2011 goal as well. In addition, SPAWAR exceeded the January 2011 goal of 63 percent "Green" for the number of approved NTSPs in the first quarter of FY 2011. The program has been so successful in speeding development of

SPAWAR NTSPs that OPNAV N15, *Education and Training*, has issued an instruction directing all Systems Commands (SYSCOMS) to make the use of HARPS mandatory for NTSP development.

PEO C4I

The Deputy Program Execution Officer (DPEO) for Technical Direction and Program Integration has the responsibility of conducting many technical document reviews, technical recommendations and the publishing of the PEO C4I Master plan. The Master plan provides visibility into DoD/Navy and PEO C4I policies and guidance for Program Manager's Workstation (PMW) development of net-centric capabilities. The PMWs are PEO C4I's portfolio development and delivery organizations.

The Master plan provides traceability from governance bodies such as Navy's Acquisition Executive and OPNAV, to warfighting missions articulated by Navy Network Warfare Command (NNWC), to individual PMWs and program managers responsible for delivering net-centric capabilities to the warfighters. The Master plan supports the internal coordination among PMWs and program offices, including highlighting opportunities to streamline product lines and minimize duplication of effort.

PEO C4I accomplished the development of the Master plan version 4.0 signed out in August 2010. DPEO is currently in the process of updating the Master plan to reflect the FY 2011-2012 and FY 2013-2015 efforts and is on track to meet the objective of finalizing version 5.0 by the end of August 2011.

PEO C4I accomplished the development of the PEO C4I Service Catalog version 1.0 signed out in November 2010. The Service Catalog is a compilation of services that will have been fielded by the end of FY 2012. Its purpose is to advertise services/capabilities internally and externally so that they may be properly leveraged by authorized acquisition organizations. The next step, already in process, is the creation of an online version of the Service Catalog called the Service Repository. The selected tool is currently being implemented.

PEO C4I accomplished the development of the PEO C4I Data Strategy version 1.0 signed out in April 2011. The Data Strategy provides specific guidance and compliance actions for programs to meet DoD net-centric data requirements and promote interoperability among IT systems at the data level. The Data Strategy is the first of a family of strategy/policy documents that provides technical coordination of the key elements of the Naval Information Dominance Enterprise (NIDE) managed by PEO C4I.

Marine Corps

The Maintenance Center Barstow (MCB) is required to produce 127 trailers in less than 75 days to meet customer requirements. The M105, M149 and M353 trailers were in a stall method, where each trailer was left in one location while work was being done from induction to final sale. This method only produced six assets per month. Due to



M105

limitations within the repair cycle process, the ability to meet the 127 trailer requirement did not exist.

Utilizing process improvement tools (value stream mapping; mapping the current state and then creating a future state map), MCB conducted processes and procedure reviews to initiate a reduction of repair cycle time. Specific steps in the process were identified where line side stock components, point of use tooling and hazardous material would be strategically stationed to minimize travel time. Standardized work sequencing reduced variations and defects while increasing throughput.



M149

After setting up the single piece process flow and utilizing the skills to allow people to accept new ways of doing business, the following Repair Cycle Times (RCT) were accomplished and tracked:

- M105: Reduced RCT from 55 to 24 days, Savings of \$6,100 per asset
- M149: Reduced RCT from 86 to 29 days, Savings of \$7,500 per asset
- M353: Reduced RCT from 51 to 29 days, Savings of \$200 per asset



M353

By utilizing process improvement tools, the production line was able to meet customer requirements to produce 127 trailers in less than 75 days. As a result, the war fighters get their assets back at a much faster rate, providing them with protection and needed tools to accomplish the mission.

During a quarterly cell phone usage analysis, the Marine Corps Forces Special Operations Command (MARSOC) identified potential misuse of government provided phones totaling \$30,000. Upon further research, users, having previously completed statements of personal responsibility, were subject to administrative and/or non-judicial sanctions deterring future misuse. Additionally, MARSOC analyzed monthly usage of Iridium satellite phones which incur fixed monthly fees per device, flagged devices with low usage history, and tailored the inventory in light of usage and the MARSOC Total Force restructure plan. This reduction provided a \$200,000 cost savings in FY 2011 and projected \$450,000 cost avoidance for Fiscal Years 2012-2014 despite the fact that MARSOC's Total Force will increase by 44 percent. Furthermore, MARSOC completed monthly Defense Information Systems Agency (DISA) satellite usage analysis and identified ongoing excessive Broadband Global Area Network (BGAN) streaming usage linked to an Operational Detachment Alpha (ODA), U.S. Army Special Operations Command that was training with MARSOC units. The inappropriate usage was corrected and MARSOC was able to recoup \$300,000 from Army Special Operations Command for BGAN usage.

At Marine Corps Logistics Command (LOGCOM), Albany, Georgia, the Restricted Access Area (RAA) is a controlled location that houses Marine Corps technology assets that are high in value and/or hold classified information. Numerous briefings are held within the RAA that are attended by various visitors, which increases the risk of potential unauthorized removal of assets.

The functional areas within the RAA also frequently deploy personnel on official travel with technology assets required for operational mission use. This also results in higher risks due to potential human error in the control of technology assets while in a travel status. The accounting for assets was solely based on manual inventories which resulted in employing additional labor resources. No internal control risks have been identified as a result of the increased resources utilized in the manual inventory process.

The cost associated with the manual process was as follows:

Research = 144 man-hours or \$5,381 annual savings
Manual inventory = 72 man-hours or \$2,690 annual savings
Total = \$80,719 over a 10 year period

LOGCOM found that the existing controls, as placed into operation, could be enhanced with automation by implementing Passive Radio Frequency Identification (PRFID) application. The cost to automate the controls was as follows:

Passive tags cost \$.50 each x 500 = \$250
Two portals with a life span of 10+ years which cost \$6,000 each for a total of \$12,000
The cost of the laptop used to captures the data, has a life span of 5+ years and cost \$2,500
Total = \$17,250 over 10 years

The PRFID implementation provided adequate controls and savings to the government of \$63,469 over 10 years. All assets tagged with a PRFID are linked with asset data. The data is loaded in the database with the tag information and the system interacts with the portal at the exit doors. The asset data and location is associated with the tag in the database as well as with personnel to whom it is assigned. These tags minimize the risks of unauthorized asset movement outside RAA as well as track authorized arrival and departure of each asset. This application of automated technology helps to track every transaction associated with the movement of an asset, sustain current inventory accuracy, and service history of the asset with limited support personnel. Visual inventory and inspection methods are incorporated with this process. This technology application provided documented, quantitative and qualitative improvement measures and is part of a larger phased program for PRFID implementation.

HPO – 8: Reform Financial Management

Assistant Secretary of the Navy (Financial Management and Comptroller)

With a wide-spread and dynamic workforce of over 8,000 financial management employees, it is important to disseminate proposed policy and procedure changes in a timely manner throughout the community. The Office of the Under Secretary of Defense (Comptroller) (OUSD (C)), Office of the Deputy Chief Financial Officer (DCFO) utilizes the Financial Management Regulation (FMR) Document Coordination System to solicit comments to proposed changes and notification of routine updates. The DON needed a method to coordinate the proposed changes, seeking comments from our executing commands, as well as promulgate final changes.

The Budget Policy and Procedures Division (FMB-5) serves as the DON Representative for soliciting comments from DON Budget Submitting Offices (BSOs) to proposed DoD FMR

changes. Dissemination of financial policy change proposals allows the DON financial community to participate in formulating Departmental fiscal policy and procedures. To facilitate this review process FMB-5 established an electronic/email notification process to ensure proposed changes are distributed in a timely manner and comments from the DON Financial Management (FM) community are submitted within prescribed deadlines. Through this established process, the knowledge base on financial issues within the FM community remains current; promotes standardization and/or identification of DoD Component financial anomalies; and fosters the FM community to be pro-active in ensuring internal controls and associated processes adhere to FMR policy and procedures. From July 2010 through June 2011, 25 FMR change proposals were processed.

The Office of Financial Operations (FMO) conducted an internal review and discovered that: (i) estimated loss contingencies related to pending or threatened litigation or unasserted claims associated with the DON General Fund (GF) were not accrued on a quarterly basis which resulted in an understatement of liabilities; and (ii) a formal review and approval process did not exist for ensuring that the Financial Statement Reporting Team, (FMO-2) prepared DON GF estimated loss contingencies accurately and completely.

As a result, FMO-2 implemented and sustained internal controls that currently enable accurate and complete preparation of quarterly estimated loss contingencies related to pending or threatened litigation or unasserted claims associated with the DON GF. The internal control requires the FMO-2 Director, or designee, to review and approve the quarterly contingent legal liability (CLL) worksheets noting that all applied formulas are mathematically accurate, open and closed case data provided by the Navy Litigation Office and the Office of the Judge Advocate General are captured accurately and completely in the CLL worksheets, and that reporting and disclosure are appropriate per applicable authoritative guidance. This approval is evidenced by the FMO-2 Director's, or designee's, signature on the CLL worksheets. Results of testing effectiveness of internal controls in FY 2011 resulted in no material weaknesses.

In a parallel action, FMO-2 identified internal control deficiencies within the financial reporting Journal Voucher (JV) processes. The preparation, review and approval procedures for creating JVs were inconsistent across financial and reporting offices i.e. DON Offices and DFAS-CL (Cleveland, Ohio). The lack of Standard Operating Procedures created discrepancies and miscommunication within the offices causing financial information to be conflicting, inconsistent and out-of-balance.

FMO-2 established accounting policy and procedures that provide guidance for the preparation, review, and approval of JVs used to adjust source accounting records. Internal control points were identified for each step of the process within DON Offices and the DFAS-CL Accounting Office thus standardizing validation measures. This process allows proper execution procedures for creating JV postings by distinguishing the appropriate personnel and approving authority levels prior to posting the adjustment transactions into the official accounting records. Various types of JV transactions were identified through this process to ensure that adequate submission and approval was justified to administer adjustments. JV guidance provided was in accordance with DoD FMR Volume 6A, chapter 2, and OMB Circular A-123 in order to comply with applicable laws and regulations as well as support our internal control and auditability efforts.

As this is a newly implemented internal control, FMO-2 intends to execute testing to gauge its effectiveness through FY 2012.

BUMED

The Department of Defense Inspector General (DoDIG) identified that BUMED was not able to properly account for and report on accounts receivable transactions. Without properly recognized accounting transactions and the ability to validate and support them, BUMED would not be able to achieve auditable financial statements. This deficiency was first reported by BUMED in its FY 2007 annual certification of internal controls over financial reporting.

To address the accounts receivable recognition issue, BUMED developed an Allowance Calculation Methodology that complies with accounting standards and regulations. This methodology provided a no-cost mitigating action that bridges the gap between future system enhancements within the ERP environment and the Standard Accounting and Reporting System (STARS) that are non-compliant with audit standards. The methodology assists the Command with making informed business decisions to maximize level of effort, focus attention on high revenue areas, and strengthen internal controls over high risk collection processes from insurance companies.

BUMED, in conjunction with the DFAS, also identified an accounting process within the STARS - Field Level (FL) system that provides BUMED activities with the ability to post and record Medical Accounts Receivable claims in an accurate, consistent, and timely manner. BUMED developed and deployed guidance for new coding elements, reporting structures, and posting logic that facilitates heightened visibility over outpatient medical claims. The process improvements reduced the processing steps by 50 percent, streamlining the posting of accounts to report receivables and collections.

BUMED's FY 2011 process improvement efforts culminated with the ability to enter monthly accounts receivable values at Net Realizable Value (NRV) at the hospital level. This new process is fully implemented at twenty Navy Hospitals and Clinics, resulting in more accurate financial information within the core accounting system and improved transparency and efficiency of transactions. This process also creates a sustainable audit trail and an improved collections processing rate. Ultimately, the improved collection process improves key internal controls, linking the recognition of authority to the actual postings of collections. Working in coordination with DFAS, BUMED reported over \$36 million in receivables on Financial Statements annually where previously this number was zero. BUMED received an Under Secretary of Defense (Comptroller) award for calendar year 2010 in recognition of its efforts in enhancing internal controls over accounts receivables.

BUPERS

BUPERS Comptroller Leadership identified the need for an enhanced Military Personnel, Navy (MPN) data monitoring and analysis capabilities based on metrics and daily updates from multiple financial systems. As a result, the MPN Executive Dashboard was created to provide key accounting and budgeting metrics for quick identification of potential errors, budget issues,

and misuse of funds. Specific systems and metrics were chosen to provide better visibility and monitoring over a number of potential issues across the different systems, and to ensure MPN is recorded and reported accurately between the entitlement, disbursing, accounting, and reporting systems. The web-based tool takes data input from multiple financial systems, including the STARS-FL, DDRS, and Defense Cash Accountability System (DCAS). The system automatically arranges the data into standardized formats that present a clear view of the balances at a strategic appropriation level, but allows for drill-down into the detailed data from each system. The MPN Executive Dashboard is fundamental to ensuring that any situations that could cause funds to be out of balance are immediately identified and addressed.

HPO – 9: Maintain Cyber Security

Tenth Fleet was an active command from May 1943 to June 1945, whose mission included the destruction of enemy submarines, the protection of coastal merchant shipping, the centralization of control and routing of convoys, and the coordination and supervision of all U.S. Navy anti-submarine warfare training, anti-submarine intelligence, and coordination with the Allied nations.

The command was reactivated as U.S. Fleet Cyber Command (FLTCYBERCOM) with initial operational control (OPCON) as of 29 January 2010. The command has both joint and service responsibilities, which is denoted by the split name. As Fleet Cyber Command, it is the Naval component to U.S. Cyber Command, the sub-unified cyber commander. As U.S. Tenth Fleet, the command provides operational support to Navy commanders worldwide, supporting information, computer, electronic warfare and space operations. In addition to joint and service reporting, the command also serves as the Navy's cryptologic commander, reporting to the Central Security Service. In addition, Tenth Fleet has operational control over Navy information, computer, cryptologic, and space forces.

In November 2010, Managers' Internal Control (MIC) Program Coordinators were tasked with establishing a team to perform a baseline review of the organization. Beginning in mid-November, a total of 63 processes were identified and reviewed. Documentation of internal control activities was developed for each identified process and a list of Assessable Units impacted by each process was generated. Each assessable unit was required to ensure processes were in compliance with higher level laws and regulations.

When reviews were completed, Directorates reviewed and signed the findings and submitted a copy to the MIC team. A tracking system was developed to allow the Assessable Unit Managers to track and report on the status of all Corrective Action Plans on a monthly basis.

MIC Program

Prior to FY 2011, BUMED issued separate annual internal control guidance for financial and non-financial operations. As a result, separate certification statements were prepared annually for both financial and non-financial operations. As part of the move toward audit readiness, BUMED saw an opportunity to leverage its internal control resources to enhance mission effectiveness and promote a stronger overall control environment through a more unified effort.

In FY 2009, BUMED issued policy to all Echelon 3 and 4 activities that the MIC Program would be part of the comptroller's organization. This alignment ensured there was a single touch point at each command for monitoring and reporting on internal controls. In FY 2011, BUMED issued annual joint MIC Program guidance from the comptroller to cover both the non-financial operations and financial reporting segments of the MIC Program. Further, the FY 2011 annual certification statement will mark the first time an Echelon 2 Navy activity will assert a level of assurance for both the non-financial operations and financial reporting segments of the MIC Program in the same document. By combining program guidance and the statement of assurance into a single document, BUMED has made its MIC Program a unified, cohesive, and cooperative effort to enhance internal controls over operational and financial processes.

The investigation into the FY 2008 BUPERS Anti-Deficiency Act (ADA) violation for the MPN appropriation revealed widespread systematic weaknesses in internal controls. In addition, it was determined that BUPERS employees were largely unaware of the MIC Program or were failing to utilize the tools the program provides. In response to the ADA investigation, BUPERS contracted for a four person team to redesign and re-energize the department-wide MIC Program.

The overhaul effort began with the establishment of the BUPERS Comptroller MIC Program organization, including relevant MIC Program personnel. The team created the first ever BUPERS Comptroller MIC Program plan, which was intended to be used as a guide for reviewing, testing, and establishing internal controls. The MIC Program Plan requires that BUPERS Comptroller assessable units conduct risk and internal control assessments, and develop new and more effective internal controls as processes evolve.

As part of the effort to overhaul the MIC Program, BUPERS Comptroller took concrete actions to address the material weaknesses that caused, in large part, the 2008 ADA violation. The BUPERS Comptroller MIC Program team also worked towards improving internal controls necessary to better manage the MPN appropriation by supporting process engineering and documentation efforts for key processes to include: MPN realignment, end of month reconciliation, gross-to-net, roll forward, rollback, and manual JV process. The effort to improve internal controls over MPN related processes will continue indefinitely.

In an effort to streamline the process of testing and updating controls, the BUPERS Comptroller MIC Program team drafted a risk and internal control assessment guide to serve as a model for the assessable units. Each of the BUPERS Comptroller assessable units used the guide to conduct its first ever risk and internal control assessment. Internal controls were established in response to identified financial processes failures. Similarly, in an effort to resolve internal control shortcomings and questionable financial management practices, the team undertook financial management reviews at the United States Naval Academy, Surface Naval Association, and the Naval Postgraduate School. Finally, the MIC Program team began to align its efforts with the BUPERS FIP, with the ultimate goal of merging the programs. This effort has led to a marked improvement in the MIC Program within BUPERS.

As a newly established command, FLTCYBERCOM wanted to ensure that all personnel had an understanding of, and commitment/accountability to, their role and responsibilities under the

MIC Program. While training for coordinators and managers is provided through NKO, there was a lack of training to ensure that all civilians and military personnel understood their roles and responsibilities in ensuring effective and efficient operations and commitment to internal controls.

In November 2010, an e-mail was sent out to the entire workforce enforcing Senior Leadership's commitment to providing the direction, resources and oversight needed to assure proper implementation and monitoring of the MIC Program to achieve its mission set and mandating all civilian and military personnel to complete NKO MIC Program training. This training helps to ensure that all levels within the command understand their responsibilities and are accountable for achieving results; mitigating risk; protecting programs and resources from fraud, waste and abuse, ensuring laws and regulations are being adhered to; and providing reliable and timely information while reinforcing Senior Leadership's commitment to the program. 91 percent of the staff has completed training to date. The MIC Program is also included in indoctrination training for all new employees. In addition to NKO on-line, training is provided to all Functional Leads and Assessable Unit Managers on what is expected of them, how to conduct a review of a process, and how to conduct analysis of controls and related risk for each assessable unit.

(TAB B-1)

LISTS OF ALL UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES

Uncorrected Weaknesses Identified During the Period:

Title	Quarter (Qtr) and Fiscal Year (FY) Targeted Correction Date	Page #
<u>No new weaknesses reported</u>		

Uncorrected Weaknesses Identified During Prior Periods:

Title	<u>Correction Qtr & FY Date</u>			Page #
	Year First Reported	Per Last Annual Statement	Per This Annual Statement	
<u>Category: Major Systems</u> <u>Acquisition</u> Attenuating Hazardous Noise in Acquisition and Weapon System Design	FY 2010	1 st Qtr, FY 2011	1 st Qtr, FY 2012	B-2-1
<u>Category: Communications,</u> <u>Intelligence and/or Security</u> Management of Communications Security (COMSEC) Equipment	FY 2006	2 nd Qtr, FY 2011	2 nd Qtr, FY 2012	B-2-3
<u>Category: Communications</u> <u>and/or Intelligence and/or</u> <u>Security</u> Safeguarding Personally Identifiable Information (PII)	FY 2010	3 rd Qtr, FY 2011	1 st Qtr, FY 2013	B-2-5
<u>Category: Major Systems</u> <u>Acquisition</u> Effective Use of Earned Value Management (EVM) Across the Department of the Navy Shipbuilding Programs	FY 2010	4 th Qtr, FY 2013	4 th Qtr, FY 2014	B-2-7

Corrected Weaknesses Identified During All Periods: N/A

(TAB B-2)

UNCORRECTED MATERIAL WEAKNESSES STATUS OF CORRECTIVE ACTIONS

“Uncorrected Weaknesses Identified During Prior Period”

Title and Description of Issue: *Attenuating Hazardous Noise in Acquisition and Weapon System Design:* The DON was found to not have sufficient processes in-place to effectively mitigate hazardous noise risks posed by major weapon systems. Although several DON organizations were making significant individual efforts to mitigate exposure to hazardous noise with some informal collaboration between these organizations, there was no requirement, structure or formal process for coordinating these efforts across the Department.

Functional Category: Major Systems Acquisition

Component: Assistant Secretary of the Navy (Research Development and Acquisition (ASN(RD&A)) Acquisition and Procurement

Senior Official in Charge: Mr. Elliot Branch, Deputy Assistant Secretary of the Navy (DASN), Acquisition and Logistics Management (A&LM)

Pace of Corrective Action:

Year Identified: FY 2010

Original Targeted Correction Date: 1st Qtr, FY 2011

Targeted Correction Date in Last Year’s Report: 1st Qtr, FY 2011

Current Target Date: 1st Qtr, FY 2012

Reason for Change in Date: Changes reflect most recent estimate for the completion of POAM actions.

Validation Process: A central DON body established with responsibility and authority to manage efforts to mitigate exposure to hazardous noise throughout DON organizations.

Results Indicator: Central body established by first quarter of FY 2011

Source(s) Identifying Weakness: NAVAUDSVC Report 2010-0038, “*Consideration of Hazardous Noise in the Acquisition of Selected Major Department of the Navy Weapon Systems and Platforms,*” published 22 June 2010

Major Milestones to Include Progress to Date:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
Completed	Establish a central DON body to manage efforts to mitigate exposure to hazardous noise throughout DON organizations.

B. Planned Milestones through Fiscal Year 2012:

4 th Qtr, FY 2011	Provide status report to Naval Audit Service addressing progress of coordination to establish Internal Management Controls (IMC) and provide oversight to ensure System Safety Design Order of Precedence is followed during the acquisition process to ensure that, where possible, concerns such as hazardous noise are mitigated early in the process through system design.
1 st Qtr, FY 2012	Revise SECNAVINST 5000.2D to address risk matrix use, uniform guidance for setting risk acceptance authority levels, and prohibiting delegation of risk acceptance authority.
1 st Qtr, FY 2012	Establish IMC and provide oversight early in the acquisition process to ensure program offices properly establish risk acceptance authority levels in accordance with the revised SECNAVINST 5000.2D.
1 st Qtr, FY 2012	Establish/revise policy and establish IMC(s) requiring MIL-STD-882D, Appendix A compliance for properly assigning Risk Acceptance Codes.
1 st Qtr, FY 2012	Establish/revise policy to require risk acceptance authority level of approval appropriate to the severity of the risk (according to OPNAVINST 5100.23G).
1 st Qtr, FY 2012	Provide a status report to NAS addressing the progress to establish guidance that specifies minimum information program offices are required to track, and establish controls to ensure that DON acquisition program offices maintain a current log of identified hazards and an assessment of residual mishap risk.

C. Planned Milestones Beyond Fiscal Year 2012: N/A

(TAB B-2)

UNCORRECTED MATERIAL WEAKNESSES STATUS OF CORRECTIVE ACTIONS

“Uncorrected Weaknesses Identified During Prior Periods”

Title and Description of Issue: *Management of Communications Security (COMSEC)*

Equipment: Naval Audit Service (NAVAUDSVC) conducted an audit in 2006 of the Navy management of communications security equipment. The audit found Navy procedures lacking and listed a number of recommendations to correct the problems.

Functional Category: Communications, Intelligence and/or Security

Component: Department of the Navy

Senior Official in Charge: RDML William E. Leigher, Director, Concepts, Strategies, and Integration (N2/N6F)

Pace of Corrective Action:

Year Identified: FY 2006

Original Targeted Correction Date: 3rd Qtr, FY 2007

Targeted Correction Date in Last Year’s Report: 2nd Qtr, FY 2011

Current Target Date: 2nd Qtr, FY 2012

Reason for Change in Date: The 2006 Audit was conducted during preparations for the DON-wide transition to Common Tier 1 (CT-1). The transition did not occur until 1 August 2007 and was followed shortly thereafter by a maintenance release to the software that caused numerous processing issues that took several months to resolve. This resulted in a slippage in the reconciliation of post-transition data.

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

Results Indicator: Results are considered satisfactory when there is complete accountability of COMSEC equipment.

Source(s) Identifying Weakness: NAVAUDSVC Report N2006-0035, “*Management of Communications Security Equipment,*” dated 17 July 2006

Major Milestones to Include Progress to Date:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
Completed	Commandant of the Marine Corps (CMC) Staff and Chief of Naval Operations (CNO) Staff completed investigation of missing COMSEC Equipment.
Completed	CMC Staff and CNO Staff established written guidelines to address identified internal control weaknesses.
Completed	CMC Staff and CNO Staff strengthened and enforced their internal controls over COMSEC Equipment at the owning activities with accurate records and on-site verification.
Completed	CMC Staff and CNO Staff verified complete accountability of COMSEC Equipment.
Completed	OPNAVINST 5239.1C signed 18 August 2008 and published.
Completed	Revise Electronic Key Management System (EKMS) Manager Training Course.
Completed	Establish a Plan of Action and Milestones to expedite reconciliations within CT-1 and determine manning and funding resources.
Completed	Conduct full revision of all COMSEC Documentation - Naval Communications Security Material System (NCMS) issued new pubs April 2010 and updated July 2010.
Completed	Enforce and Oversee Completion of Mandatory CT-1 Accountability and Reconciliation Training at the Local level - NETWARCOM made attendance at Town Hall Meetings, where this training is conducted, mandatory in 2009. NCMS conducts annual Town Hall meetings in all Fleet concentration areas.
Completed	Reconcile CT-1 Accounts

B. Planned Milestones through Fiscal Year 2012:

2 nd Qtr, FY 2012	Establish Navy Enlisted Classification (NEC) for COMSEC Account Manager (NEC was chopped off by NETWARCOM and forwarded to OPNAV N1 and N2/N6 for final decision).
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C. Planned Milestones Beyond Fiscal Year 2012:

(TAB B-2)

UNCORRECTED MATERIAL WEAKNESSES STATUS OF CORRECTIVE ACTIONS

“Uncorrected Weaknesses Identified During Prior Period”

Title and Description of Issue: *Safeguarding Personally Identifiable Information (PII):* The number and impact of PII breaches across the DON is unacceptably high and has remained fairly constant over the past 12 months. DON breach report metrics and Naval Audit findings demonstrate a need to strengthen existing or create new PII safeguarding policies in three key areas: magnetic hard drives, Social Security Number (SSN) reduction, and PII awareness training. A lack of DON policy guidance regarding the turn in or disposal of magnetic hard drives and the unnecessary or unlawful collection of SSNs could result in a significant loss or compromise of sensitive PII. While a policy on Data at Rest was issued by the DON Chief Information Officer (DON CIO) in January 2009, it has not been fully implemented across the DON. Implementation would significantly reduce the number and impact of PII breaches.

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

Component: Department of the Navy Chief Information Officer (DON CIO)

Senior Official in Charge: Mr. Terry Halvorsen, DON CIO

Pace of Corrective Action:

Year Identified: FY 2010

Original Targeted Correction Date: 3rd Qtr, FY 2011

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

Current Target Date: 1st Qtr, FY 2013

Reason for Change in Date: New Audit N2011-0020, “*Unnecessary Collection of Personally Identifiable Information in the Department of the Navy,*” and continuing number of breaches. Extension will also allow for the assessment of training effectiveness.

Validation Process: (1) Release of the DON Magnetic Hard Drive Disposal Policy Message. (2) Release of the DON SSN Reduction Plan, Phase One. (3) Completion of updated Annual PII Awareness Training Module and PII Refresher Training

Results Indicator: (1) A 10 percent decline in the number of high risk breaches related to hard drives for at least three continuous months. (2) A 10 percent decline in the number of high risk breaches related to SSNs for at least three continuous months. (3) A 20 percent increase in the total number of DON personnel who have completed Annual PII Awareness training by the end of FY 2011 as compared to FY 2010.

Source(s) Identifying Weakness: NAVAUDSVC Report N2009-0027, “*Processing of Computers and Hard Drives During the Navy Marine Corps Intranet (NMCI) Computer Disposal Process,*” dated 28 April 2009.

NAVAUDSVC Report N2010-0011, “*Accessibility of Personally Identifiable Information through the Navy Marine Corps Intranet Homeport Web Site,*” dated 2 March 2010.

NAVAUDSVC Report N2011-0020, “*Unnecessary Collection of Personally Identifiable Information in the Department of the Navy,*” date 28 January 2011.

Major Milestones to Include Progress to Date:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
Completed	Release the DON Magnetic Hard Drive Disposal Policy.
Completed	Release DON Social Security Number (SSN) Usage Reduction Plan Phase 1.

B. Planned Milestones through Fiscal Year 2012:

1 st Qtr, FY 2012	Create Refresher PII Training Module for DON Use and Update Annual PII Awareness Training.
1 st Qtr, FY 2013	Validate effectiveness of training in reducing the number of PII breaches.

C. Planned Milestones Beyond Fiscal Year 2012: N/A

(TAB B-2)

UNCORRECTED MATERIAL WEAKNESSES STATUS OF CORRECTIVE ACTIONS

“Uncorrected Weaknesses Identified During Prior Period”

Title and Description of Issue: *Effective Use of Earned Value Management (EVM) Across the Department of the Navy Shipbuilding Programs:* The Navy does not have adequate oversight and application of EVM on its programs. Failure to effectively implement EVM prevents managers from fully realizing its benefits and may result in disjointed planning, lack of performance insight, increased management process risk, obscured problems, lack of accountability, or subjective assessments. EVM deficiencies have also been identified through ongoing audits and reviews conducted within the Navy and through recent Nunn-McCurdy certifications. Without effective EVM, managers lose a key tool for making sound management decisions, which can result in schedule slips and cost overruns. OMB Circular A-11 requires EVM on all capital investments. EVM is also required by DODI 5000.02. Earned Value Management is required on all non-Firm-Fixed-Price contracts over \$20M. EVM is usually applied during the development and early production phases. Both the contractor and government have EVM responsibilities.

Functional Category: Major Systems Acquisition

Component: Assistant Secretary of the Navy (Research, Development and Acquisition)

Senior Official in Charge: Ms. B. J. White-Olson, DASN (Management and Budget)

Pace of Corrective Action:

Year Identified: FY 2010

Original Targeted Correction Date: 4th Qtr, FY 2014

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

Current Target Date: 4th Qtr, FY 2014

Reason for Change in Date: N/A

Validation Process: Center for Earned Value Management (CEVM) will baseline current status of EVM implementation and oversight, then set targets for improvement. Targets will include objective measures such as determining the number of contracts non-compliant with EVM policy, percentage of EVM personnel receiving training, or audits of programs to review EVM processes. Deployment of training modules and issuance of policy will also be visible measures of actions taken.

Results Indicator: CEVM will continue to track metrics toward meeting established targets as described in the validation process.

Source(s) Identifying Weakness: EVM Defense Support Team report to Congress, September 2009

Major Milestones to Include Progress to Date:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
Completed	ASN(RD&A) to develop process to engage with major programs on use of EVM, including status of correcting this material weakness.
Completed	Training and support in place to enhance leadership use of EVM

B. Planned Milestones through Fiscal Year 2012:

4 th Qtr, FY 2011	Review policies to support standardizing EVM data and processes established across Naval Sea Systems Command (NAVSEA).
4 th Qtr, FY 2011	Review structure and staffing in place for centralized EVM process ownership and consistent EVM support for NAVSEA shipbuilding programs.
4 th Qtr, FY 2011	Review Supervisor of Shipbuilding (SUPSHIP) EVM staffing levels and EVM oversight processes to ensure adequate support for NAVSEA programs.
4 th Qtr, FY 2011	Review Shipbuilding program offices for EVM capability and processes for decision support.
1 st Qtr, FY 2012	Identify two newly awarded shipbuilding programs for implementation of revised EVM processes and begin tracking EVM compliance and use.
2 nd Qtr, FY 2012	Develop and deploy EVM team training for program offices.
3 rd Qtr, FY 2012	EVM analyst training curriculum developed and deployed.
3 rd Qtr, FY 2012	SUPSHIP EVM surveillance in place to support annual report of contractor compliance to the ANSI Standard.
4 th Qtr, FY 2012	Implement recommended changes for centralization of EVM process ownership and consistent EVM support for NAVSEA shipbuilding programs.
4 th Qtr, FY 2012	Implement recommended changes for SUPSHIP staffing levels and EVM oversight processes.
4 th Qtr, FY 2012	Implement recommended changes to address shipbuilding program office capability and support.

C. Planned Milestones Beyond Fiscal Year 2012:

4 th Qtr, FY 2013	NAVSEA shipbuilding EVM policy compliance meets target level.
4 th Qtr, FY 2014	Validate corrective action plan effectiveness.



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
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7000
FMO-20110051
12 July 2011

MEMORANDUM FOR THE CHAIR, DEPARTMENT OF DEFENSE SENIOR ASSESSMENT
TEAM

SUBJECT: Office of Management and Budget Circular A-123, Appendix A, Internal Control
Over Financial Reporting

The Department of the Navy (DON) conducted an internal review of the effectiveness of the Navy's Internal Control Over Financial Reporting (ICOFR) for the Financial Improvement Plan (FIP) assessable units identified in the *May 2011 Financial Improvement and Audit Readiness (FIAR) Plan Status Report* for the DON General Fund (GF) and Navy Working Capital Fund (NWCF). The *May 2011 FIAR Plan Status Report* provides information pertaining to the Navy's accomplishments and identifies the schedule for the Navy's FIP assessable units that are currently under evaluation. Those FIP assessable units that are not shown as "under evaluation" were not assessed. Therefore, I can provide no assurance on assessable units that are not within those listed in the *May 2011 FIAR Plan Status Report* for the Navy.

The assessment was conducted in strict compliance with the *OMB Circular No. A-123, Appendix A, ICOFR Guidance for 2011*, and the *May 2010 DoD FIAR Guidance* under the oversight of the Navy's Senior Assessment Team (SAT). The Navy's SAT is designated to provide oversight in maintaining complete records of the assessment documentation. Based on the results of this assessment, the Navy is able to provide "no assurance" that the Navy's internal control over financial reporting for both the General Fund and Navy Working Capital Fund FIP assessable units as of June 30, 2011 were operating effectively. The Navy also asserts that the material weaknesses identified below and related corrective action(s) included in Attachment 1, are supported by the detail in the FIPs as of June 30, 2011, in sections 3 (or 6).

Material Weakness

Estimated Completion Date

Collections & Disbursements (GF & NWCF)
Procure to Pay (GF & NWCF)
General Equipment (GF & NWCF)
Inventory (NWCF)
Military Equipment (GF)
Operating Materials & Supplies (GF)
Real Property (GF & NWCF)

4th Qtr, 2012
4th Qtr, 2012
4th Qtr, 2013
1st Qtr, 2013
3rd Qtr, 2014
2nd Qtr, 2015
2nd Qtr, 2013

DENNIS J. TAITANO
Deputy Assistant Secretary of the Navy
(Financial Operations)

ACRONYM LIST

ACAT	Acquisition Category
ADA	Anti-Deficiency Act
ADT	Active Duty for Training
AO	Approving Official
APB	Acquisition Program Baseline
APC	Agency Program Coordinator
ASAP	Aviation Safety Awareness Program
ASN	Assistant Secretary of the Navy
ASN(EI&E)	ASN Energy, Installations and Environment
ASN(FM&C)	ASN Financial Management and Comptroller
ASN(M&RA)	ASN Manpower and Reserve Affairs
ASN(RD&A)	ASN Research, Development and Acquisition
AT	Annual Training
AT&L	Acquisition, Technology and Logistics
ATT	Aegis Test Team
AUDGEN	Auditor General of the Navy
BGAN	Broadband Global Area Network
BIW	Bath Iron Works, Bath ME
BPS	Business Process Standardization
BRAC	Base Realignment and Closure
BSO	Budget Submitting Office
BTA	Business Transformation Agency
BUMED	The Navy Bureau of Medicine and Surgery
BUPERS	Bureau of Naval Personnel
C4I	Command, Control, Communications, Computers, & Intelligence
CFFC	Commander, U.S. Fleet Forces Command
CFO	Chief Financial Officer
CIO	Chief Information Officer
CISN	Communication Information Systems and Networks
CLL	Contingent Legal Liability
CMATT	Communication Management and Analysis Training Tool
CMC	Commandant of the Marine Corps
CMO	Contract Management Office
CNIC	Commander, Navy Installations Command
CNO	Chief of Naval Operations
CNRFC	Commander, Naval Reserve Forces Command
CO	Certifying Official
COMOPTEVFOR	Commander, Operational Test and Evaluation Force
COMSEC	Communications Security

COR	Contracting Officer's Representative
CRB	Contract Review Board
CRRB	Contract Requirements Review Board
CSADD	Coalition of Sailors Against Destructive Decision Making
CSBs	Configuration Steering Boards
DASN (FO)	Deputy Assistant Secretary of the Navy (Financial Operations)
DAU	Defense Acquisition University
DCAS	Defense Cash Accountability System
DCFO	Deputy Chief Financial Officer
DDG	Designator for Guided Missile Destroyer
DDRS	Defense Data Repository System
DFARS	Defense FAR Supplement
DFAS	Defense Finance and Accounting Service
DFAS-CL	DFAS - Cleveland, Ohio
DISA	Defense Information Systems Agency
DMA	Deputy Military Assistant
DoD	Department of Defense
DoDIG	DoD Inspector General
DON	Department of the Navy
DON FIP	DON Financial Improvement Program
DON/AA	DON Assistant for Administration
DPEO	Deputy Program Execution Officer
DRPMs	Direct Reporting Program Managers
DTS	Defense Travel System
DUSN	Deputy Under Secretary of the Navy
DUSN(BO&T)	DUSN Business Operations and Transformation
DUSN(PPOI)	DUSN Plans, Policy, Oversight and Integration
EAC	Estimate at Completion
EAMDA	Executive Agent for Maritime Domain Awareness
EDS	Execution Documentation Subsystem
ERM	Execution Realignment Module
ERP	Enterprise Resource Planning
EVM	Earned Value Management
EVMS	EVM System
FAR	Federal Acquisition Regulation
FBWT	Fund Balance With Treasury
FFMIA	Federal Financial Management Improvement
FIAR	Financial Improvement and Audit Readiness
FIP	Financial Improvement Program

FISC	Fleet and Industrial Supply Centers
FL	Field Level
FLTCYBERCOM	U.S. Fleet Cyber Command
FM	Financial Management
FMB	ASN(FM&C), Office of Budget
FMB-5	Budget Policy and Procedures Division
FMC	ASN(FM&C), Office of Counsel
FMFIA	Federal Managers' Financial Integrity Act
FMO	Office of Financial Operations
FMO-2	Financial Statement Reporting Team
FMR	Financial Management Regulation
FOC	Full Operational Capability
FOT	Full Operation Tempo
FY	Fiscal Year
G/L	General Ledger
GF	General Fund
GPC	Government Purchase Card
HARPS	Human Analysis and Requirements Planning System
HFACS	Human Factors Analysis Classification System
HPO	High Priority Objectives
IBR	Integrated Baseline Review
ICEs	Independent Cost Estimates
ICOFR	Internal Controls Over Financial Reporting
IFMS	Integrated Financial Management Systems
IG	Inspector General
IOC	Initial Operational Capability
IPTs	Integrated Project Teams
IT	Information Technology
IWS	Integrated Weapons Systems
JGPO	Joint Guam Program Office
JV	Journal Voucher
KPPs	Key Performance Parameters
KSAs	Key System Attributes
LOGCOM	Marine Corps Logistics Command
LSS	Lean Six Sigma
MADD	Mothers Against Drunk Driving
MARSOC	Marine Corps Forces Special Operations Command
MAUs	Major Assessable Units
MIC	Managers' Internal Control

MCB	Maintenance Center Barstow
MCOTEA	Marine Corps Operational Test and Evaluation Activity
MDA	Milestone Decision Authority
ME	Military Equipment
MFOQA	Military Flight Operations Quality Assurance
MIC	Managers' Internal Control
MILSTRIP	Military Standard Requisitioning and Issue Procedures
MPN	Military Personnel, Navy
MSC	Military Sealift Command
NATOPS	Naval Aviation Training and Operating Procedures Standardization
NAVAIR	Naval Air Systems Command
NAVAUDSVC	Naval Audit Service
NAV-IDAS	Navy - Information Dominance Approval System
NAVINGEN	Naval Inspector General
NAVRESFORCOM	Naval Reserve Forces Command
NAVSAFECEN	Naval Safety Center
NAVSEA	Naval Sea Systems Command
NAVSUP	Naval Supply Systems Command
NAWCAD	Naval Air Warfare Center, Aircraft Division
NCB	Naval Capabilities Board
NCCA	Naval Center for Cost Analysis
NIDE	Naval Information Dominance Enterprise
NIMS	Navy Information Management System
NKO	Navy Knowledge Online
NMCARS	Navy Marine Corps Acquisition Regulation Supplement
NNMC	National Naval Medical Center
NNWC	Navy Network Warfare Command
NROTC	Naval Reserve Officers Training Corps
NROWS	Navy Reserve Order Writing System
NRV	Net Realizable Value
NSTC	Naval Service Training Command
NTSP	Navy Training Systems Plans
NWDC	Navy Warfare Development Command
OCS	Other Contractual Services
ODA	Operational Detachment Alpha
OIG	Operations Integration Group
OM&S	Operating Materials and Supplies
OMB	Office of Management and Budget
ONI	Office of Naval Intelligence

ONR	Office of Naval Research
OPCON	Operational Control
OPNAV	Office of the Chief of Naval Operations
OPTEVFOR	Operational Test and Evaluation Force
ORM	Operational Risk Management
ORs	Operating Rooms
OSBP	Office of Small Business Programs
OT&E	Operational Test and Evaluation
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
PDM	Program Decision Meetings
PEO	Program Execution Officer
PII	Personally Identifiable Information
PM	Program Managers
PMB	Performance Measurement Baseline
PMO	Program Management Office
PMW	Program Manager's Workstation
PoPS	Probability of Program Success
PPBE	Planning, Programming, Budgeting, and Execution
PRFID	Passive Radio Frequency Identification
R3B	Resources and Requirements Review Board
RAA	Restricted Access Area
RCT	Repair Cycle Time
ROTC	Reserve Officer Training Corps
RTC	Recruit Training Center
RWO	Reimbursable Work Order
SABRS	Standard Accounting Budgeting and Reporting System
SAE	Service Acquisition Executive
SAPRO	Sexual Assault Prevention and Response Office
SBR	Statement of Budgetary Resources
SECNAV	Secretary of the Navy
SELRES	Selected Reserves
SFIS	Standard Financial Information Structure
SOA	Statement of Assurance
SOP	Standard Operating Procedure
SPAWAR	Space and Naval Warfare Systems Command
SSAE	Statement on Standards for Attestation Engagement
SSC	SPAWAR Systems Command
SSP	Strategic Systems Programs
STARS	Standard Accounting and Reporting System

STARS HCM	STARS, Headquarters Claimant Module
SUPSHIP	Supervisor of Ship Building
SYSCOM	Systems Command
TCRM	Time-Critical Risk Management
TOP	Transportation Of People
TRPPM	Training Planning Process Methodology
UNSECNAV	Under Secretary of the Navy
USFF IG	United States Fleet Forces Inspector General
USSGL	United States Standard General Ledger
VCNO	Vice Chief of Naval Operations
WARCOM	Naval Special Warfare Command
WCF	Working Capital Fund
WPSR	Warrior Preservation Status Report

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DEPARTMENT OF THE NAVY
