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FEDERAL MANAGERS'  
FINANCIAL INTEGRITY ACT

**FISCAL YEAR 2013**  
**STATEMENT OF ASSURANCE**



DEPARTMENT OF THE NAVY

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THE SECRETARY OF THE NAVY  
WASHINGTON DC 20350-1000

NOV 19 2013

MEMORANDUM FOR THE SECRETARY OF DEFENSE

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

As the Secretary of the Navy, I recognize that the Department of the Navy (DON) is responsible for establishing and maintaining effective internal management controls to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). Tab A provides specific information on how the DON conducted the assessment of Operational Internal Controls, in accordance with the Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Controls, and provides a summary of the significant accomplishments and actions taken to improve the DON's internal controls during the past year.

I am able to provide qualified statement of assurance that operational and administrative internal controls of the DON meet the objectives of FMFIA, with the exception of five unresolved material weaknesses described in Tab B. These weaknesses were found in the internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations, as of the date of this memorandum. With an exception of the enclosed material weaknesses, the internal controls were operating effectively.

The DON conducted its assessment of the effectiveness of internal controls over financial reporting in accordance with OMB Circular A-123, Appendix A, *Internal Control Over Financial Reporting*. Tab A provides specific information on how the DON conducted this assessment. Based on the results of this assessment, the DON is able to provide a qualified statement of assurance that the internal controls over financial reporting as of 30 June 2013 were operating effectively with the exception of 22 material weaknesses noted in Tab C.

The DON also conducted an internal review of the effectiveness of the internal controls over financial systems. Tab A provides specific information on how the DON conducted this assessment. Based on the results of this assessment, the DON is able to provide a qualified statement of assurance that the internal controls over the financial systems as of 30 June 2013, are in compliance with the Federal Financial Management Improvement Act and OMB Circular A-127, *Financial Management Systems* with the exception of one nonconformance noted in Tab C.

My point of contact is Ms. Erica Gaddy. She may be reached at (202) 685-0791 or [erica.gaddy@navy.mil](mailto:erica.gaddy@navy.mil)

A handwritten signature in black ink, appearing to read "SJS", is located below the contact information.

Sean J. Stackley  
Acting

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## **TAB A-1**

### **Description of the Concept of Reasonable Assurance and How the Evaluation was Conducted**

The Department of the Navy (DON)'s mission is to maintain, train and equip combat-ready naval forces capable of winning wars, deterring aggression and maintaining freedom of the seas. The DON is comprised of the following organizations:

- Executive offices in Washington D.C.
- Operating forces including the Marine Corps, the reserve components, and, in time of war, the U.S. Coast Guard (in peace, a component of the Department of Homeland Security)
- Shore establishment

The DON's senior management evaluated the systems of internal controls in effect during the Fiscal Year (FY) as of the date of this memorandum, according to the guidance in Office of Management and Budget (OMB) Circular No. A-123 Revised, 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). Included is DON's evaluation of whether the systems of internal controls for the DON are in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal controls of the DON are to provide reasonable assurance of:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

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

The DON evaluated the system of internal control in accordance with the guidelines identified above. The results indicate that the system of internal controls of the DON, in effect as of the date of this memorandum, taken as a whole, complies with the requirement to provide qualified

reasonable assurance that the above mentioned objectives were achieved. This position on reasonable assurance is within the limits described in the preceding paragraph. Using the following process, the DON evaluated its system of internal controls and maintains sufficient documentation/audit trail to support its evaluation and level of assurance.

## **a. Management Control Testing**

### **(1) Internal Control over Financial Reporting**

The DON establishes the sustainment framework for efforts on Internal Control over Financial Reporting (ICOFR) and it consists of short, medium and long term phases, which contain the activities necessary to institutionalize and sustain audit readiness. Progression through each phase of the framework will be governed by a checklist that details specific criteria required to demonstrate the transition from one phase to another. Key controls and the processes to execute the key controls will be monitored and updated by the DON's Office of Financial Operations (FMO) throughout the phases of sustainment. The DON performs the following activities in different phases:

1. Phase 1: Audit Readiness (FY 2011-FY 2013)
  - a. Focus on planning and testing key controls and Key Supporting Documents (KSDs) to demonstrate audit readiness and substantiate management assertion
  - b. Identify, develop and implement Corrective Action Plans (CAPs) to address control deficiencies and audit readiness risks
  - c. Deliverables include assertion package, CAPs, testing guidebooks, and scorecards
2. Phase 2: Pre-Examination (6 months)
  - a. Focus on planning and testing controls and KSDs to demonstrate audit readiness and substantiate Management Assertion
  - b. Identify, develop and implement CAPs to address control deficiencies and audit readiness risks
  - c. Deliverables include CAPs (if applicable), testing checklist, and scorecards
3. Phase 3: Examination (4-5 months)
  - a. Independent Entity performs testing procedures over management's assertion that the DON has an effective combination of control activities and supporting documentation that results in business segment being audit ready as defined by the criteria established in the Department of Defense (DoD) Financial Improvement and Audit Readiness (FIAR) Guidance
  - b. Independent Entity performs these procedures in accordance with Government Auditing Standards (GAS) and the Statements on Standards for Attestation Engagements (SSAE)
  - c. Independent Entity will identify any findings and recommendations involving the DON internal controls and other operational matters in order to improve those controls as the DON continues to focus on becoming audit ready by 2017
  - d. Independent Entity issues an overall opinion whether or not management's assertion is fairly stated, in all material respects, based on the criteria established

in the Office of the Under Secretary of Defense (Comptroller) (OUSD (C)) FIAR Guidance

4. Phase 4: Post Examination (3 months)
  - a. Utilize the results of the examination by obtaining Notification of Findings and Recommendations (NFRs)
  - b. Evaluate NFRs to develop and implement CAPs
  - c. Initiate a risk based testing battle rhythm (i.e. monthly, quarterly, bi-annually) while continuing to implement and test CAPs
  - d. Conduct sustainment workshops with Budget Submitting Office (BSO)
    - i. CAP development
    - ii. Knowledge transfer and training for sample selection; performance of controls/procedures
  - e. Deliverables include updated CAPs (if applicable), testing checklist, and scorecards
  
5. Phase 5: Rationalization (9 months)
  - a. Perform annual control testing
  - b. Refine key controls to ensure continuity from the post-examination environment into steady state/ICOFR activities
  - c. Utilize a risk based approach to focus required testing workload (frequency, volume, etc.)
  - d. Demonstrate a consistent 90% passing rate before transition to steady state/ICOFR
  - e. Deliverables included refined CAPs (if applicable), steady state transition checklist, sustainment workshops/training
  
6. Phase 6: Steady State/ICOFR (3 years)
  - a. Perform control testing every three years
  - b. Utilize a risk based approach to focus testing on controls and BSOs that require additional corrective action to maintain a high level of audit readiness and execute ICOFR
  - c. Monitor processes and systems continually to ensure that controls remain accurate
  - d. Update processes and documentation on a recurring basis
  - e. Deliverables include steady state testing policies and schedule
  - f. This phase will be achieved once a stable internal control environment is established

The DON is currently making significant progress towards audit readiness as evidenced by the assertions of several business processes or segments as being audit ready. As part of the assertion efforts, the DON assessed internal control on each segment. The DON's internal control testing approach for each business segment is comprised of the following activities:

<b>Step No.</b>	<b>Activity</b>	<b>Description</b>	<b>Owner</b>
1	Determine Control Testing Populations	Identify representative populations via the accounting or feeder systems	FMO
2	Identify Control Testing Sample Selections	Using the identified population, select a sample using a random number generator	FMO
3	Execute and Document Control Testing	Perform testing procedures and document testing results	BSOs/ Service Providers
4	Evaluate and Communicate Testing Results	Perform independent review and conclude on testing results	FMO/ Naval Audit Service (NAVAUDSVC)
5	Develop CAPs	Identify procedures to remediate control deficiencies identified through testing	FMO
6	Implement and Execute CAPs	Implement CAPs	FMO/BSOs/ Service Providers
7	Retest Remediated Internal Controls	Perform testing procedures and document testing results	BSOs/ Service Providers
8	Summarize and Communicate Testing Results	Perform independent review and conclude on testing results	FMO

**Step 1: Determine Control Testing Populations**

FMO provided separate populations to each BSO based upon the materiality of each control activity. This methodology means that a full sample size (based on the OUSD (C) FIAR Guidance as set out below) will be drawn for each control activity the BSO executes. In addition, to the extent that a control activity was executed through more than one distinct system and/or activity type, a BSO may have more than one testing population for a single control activity.

**Step 2: Identify Control Testing Sample Selections**

The number of selections to be made to test the operating effectiveness of a control activity was determined based on the frequency of control activity performance and whether the control is manual or automated, based on FIAR Guidance. For manual controls, the more often a control activity was performed, the greater the risk of error and therefore the larger the sample size. The following table set out the control sample sizes that were generally used by the DON.

### Internal Control Testing Sample Sizes<sup>1</sup>

<b>Frequency of Control Performance</b>	<b>Population Size</b>	<b>Total Sample Size</b>
Annual	1	1
Quarterly	4	2
Monthly	12	3
Weekly	52	10
Daily	250	30
Multiple times per day	Over 250	45

For automated application controls, a sample size of one was required to test each unique software application. However, to the extent an automated control was configured or enabled locally, a test of one was required for each instance of the application.

Sample selections for each BSO were made using a random number generator. The method was commonly used when items in the testing population were sequentially pre-numbered or when they were represented by line items in a listing.

#### Step 3: Execute and Document Control Testing

Procedures to be performed for testing control activity sample selections included one or more of the following:

- Re-performance – repeating a sample transaction to assess the application of the key control activity and the consistency of the sample results with those yielded from the original transaction
- Observation – assessing the effectiveness of the key control activity through observation of the key control activity as it is being performed
- Inspection of Documentation – review of documented evidence to provide evidence a key control activity is effectively operating as designed
- Corroborative inquiry supported by observation
- Corroborative inquiry supported by inspection of documentation

Upon completion of testing, BSOs and service providers provided their completed testing workbook to FMO via the DON's Audit Response Center (ARC) Tool.

#### Step 4: Evaluate and Communicate Testing Results

Completed testing workbooks were subjected to three levels of review:

- The first level of review was conducted at the testing location by the BSOs and service providers. Generally, this should be consistent of a detail review of the documented test results and the KSD related to the sample selections by an individual who was not directly involved in execution of the test program. Any testing exceptions were

<sup>1</sup> OUSD (C) FIAR Guidance Appendix D, Figure 5 dated March 2013

confirmed with the individual responsible for performing the control and/or for preparing the KSD (or in certain instances for retaining the KSD).

- The second level of review was performed by the FMO Program Manager (PM) for compliance with testing procedures and documentation requirements.
- The third level of review was performed by FMO Management to conclude on the operating effectiveness of the control activity.

The final determination by FMO on the operating effectiveness of the control activity was communicated to the respective BSO within 10 business days upon receipt of the testing workbook.

#### Step 5: Develop CAPs

Where an internal control testing exception was identified, the FMO Program Managers (PMs) coordinated with the respective BSOs and service providers to develop a CAP. The CAP included the following elements:

- A description of the exception
- Identification of the root cause for the exception
- Detail steps/tasks to be completed to remediate the exception
- Estimated date when implementation of the CAP will be completed
- Estimated date when the remediated control or KSD will be ready for testing
- Individual(s) responsible for implementation of the CAP

#### Step 6: Implement and Execute CAPs

Depending on the nature of the exception, the implementation of the CAP was overseen by either FMO, service providers, or the BSOs. However, the implementation of CAPs was monitored by the FMO PM for the segment in which the exception was noted.

#### Step 7: Retest Remediated Internal Controls

The FMO PM was responsible for ensuring that the remediated KSD and/or control was scheduled for testing following implementation of the corrective action and the control operates for a time period sufficient to allow drawing an adequate sample size (see table in Step 2). The BSOs and service providers executed the testing procedures during this phase and provided the completed testing workbook to FMO.

#### Step 8: Summarize and Communicate Testing Results

Based upon the revised testing results, the final determination by FMO on the operating effectiveness of the control activity was communicated to the respective BSO within 10 business days upon receipt of the testing workbook. The FMO PM, in conjunction with FMO Management, also concluded if the Key Control Objectives (KCOs) were met.

In addition, to internal control testing, the DON continues to standardize end-to-end business processes that have a financial impact. Business Process Standardization (BPS) is intended to strengthen the internal control environment surrounding our business processes, which will assist the DON in its efforts to achieve audit readiness. To achieve the greatest level of DON standardization, the BPS program continues to identify, evaluate, and minimize BSO process variations. Furthermore, Defense Finance and Accounting Services (DFAS) participates in BPS program workshops to provide feedback on documentation being developed for the DON in an effort to help document and improve key processes auditability.

The DON continues to implement processes to achieve compliance with OMB Circular A-123, Appendix A as it relates to overall DON audit readiness. The DON continues to work closely with all BSOs and stakeholders to identify and evaluate the potential risks and internal controls surrounding the end-to-end business processes reported on the financial statements. FIAR training efforts associated with specific business segments have been tailored to support individual BSOs. The trainings focused on key controls and the necessary corrective actions to achieve business segment assertion goals. FMO continues successful weekly “office hours,” which is a scheduled time to address questions and queries about FIAR execution plans at the enterprise, BSO, segment or transaction level.

In addition, FMO FIAR has weekly office hour sessions that are dedicated to address questions about any element of the execution plans whether at the enterprise, BSO, business segment, or transaction level. Furthermore, FMO FIAR has weekly meetings to review the complete list of open risks and issues to allow FMO leadership to ask questions, clarify, and ultimately determine the overall impact of all items on the risk and issue logs. Through the assessment of alternative committee structures, FMO recommended the establishment of an Audit Readiness Steering Committee (ARSC) to serve until the DON achieves an audit-ready state. The ARSC provides the DON with the flexibility and capability to leverage best practices required to achieve an audit ready state as well as determine membership, scope, priorities, and objectives. DON FIAR is a multi-year DON-wide effort to strengthen Navy and Marine Corps business processes and systems to better serve worldwide operations. The program's goal is to produce financial information with greater accuracy, reliability, and accessibility.

FMO is exploring options to create a document repository to track, monitor, and maintain artifacts provided during FIAR efforts. A centralized storage location will allow for the timely retrieval of policies, procedures, and KSD that the audit readiness team and/or auditors may request. The following parameters are being evaluated in the preliminary determination of the document process library: (1) centralized locations; (2) ease of use; (3) accessibility; and (4) version control.

FMO continues to communicate a consistent message to the DON enterprise that the sustainment of an audit ready environment is essential to the successful implementation of FIAR initiatives. During BSO FIAR meetings and training workshops, FMO emphasized that sustainment creates good business decisions, optimizes operations to enhance fiscal stewardship, produces reliable financial statements, and maintains an auditable financial environment, which in return results in a “clean” audit opinion. The DON intends to monitor sustainment of an auditable environment through the assessment of ICOFR and compliance with financial-related laws and regulations.

To ensure the DON obtains a sustainable business environment a “Tone from the Top” (leadership) message has been sent and is sustained, emphasizing the following:

- Everyone plays a vital role
- Enforce business practices that incorporate a compliant control environment
- Support of standardization
- Development of standard process documentation

## **(2) Internal Control over Financial Systems**

The DON has made significant progress during the FY 2013 reporting period towards completing an internal review of assurance and effectiveness on Internal Control over Financial Systems (ICOFS). In conjunction with our valued service providers, the DON continues to assess relevant financial system controls to ensure compliance with the Federal Financial Management Improvement Act (FFMIA) and OMB Circular A-127, Financial Management Systems. For the current reporting period the DON provided a qualified statement of assurance for 9 of 70 Information Technology (IT) systems.

The DON understands ICOFS plays a key role in the auditability of DON financial statements. Consequently, the DON focused FY 2013 efforts on the following ICOFS supporting elements:

- Strengthening the DON Chief Information Officer (CIO) and Deputy Assistant Secretary of the Navy for Financial Operations (DASN (FO)) partnership through regular and ad hoc meetings to help promote and facilitate joint messaging and trainings.
- Communicating system audit readiness expectations, guidance, and status through briefings, workshops, and trainings.
- Developing a strategy for the governance and accountability of ICOFS in partnership with the DON CIO.
- Training the DON financial system community on Federal Information System Controls Audit Manual (FISCAM) and Financial Audit Manual and sharing lessons learned from previous and current system assessment activities.
- Leveraging the ARC SharePoint application as an audit readiness repository for KSD.
- Testing and validating corrective actions and remediation activities that address identified audit readiness system deficiencies.
- Reporting metrics related to ICOFS efforts on a regular basis to DON CIO and DASN (FO) leadership.

In addition to these capabilities, the DON further defined and implemented a strategy for assessing the audit readiness of IT systems and processes. This strategy is defined in four steps:

- Step 1: Identify and classify all IT systems supporting financial reporting by the end-to-end business cycle/segment.
- Step 2: Document the accounting and feeder system architecture and flow of data for each end-to-end business cycle/segment.
- Step 3: Demonstrate the current audit readiness state of the core accounting and key feeder systems.

- Step 4: Develop and execute an integrated approach to business transactions, internal controls, and systems capabilities testing.

The DON has made significant progress against each of these steps as described below.

Step 1: Identify and classify all IT systems supporting financial reporting by the end-to-end business cycle/segment

The DON continues to define and identify the universe of financially relevant systems that enable end-to-end business processes for each business segment and workstream to produce the information in the financial statements. To date the DON has identified 200 or more systems, which support the DON's complete set of financial statements. For FY 2013, the DON constantly tracked, updated, and managed the universe of identified systems to support OUSD (C) FIAR identified business segments and financial reporting framework. The DON established processes and procedures to continually update the report of relevant financial systems. The report captures the most significant financial systems and transactions flows by business segment based on the volume and dollar value of transactions, which assists leadership with prioritization of system assessments. To facilitate the effort, the DON worked closely with business segment leads and BSO points of contact to collect and evaluate various data points to determine which systems were audit relevant and/or significant to assert as audit ready. The following factors were considered to determine the significance of an IT system:

- What is the overall relevance to General Fund (GF) Statement of Budgetary Resources (SBR) business segments?
- Does the system process financial data to be used in the SBR (material or immaterial) or Existence and Completeness (E&C)?
- Was the system identified as critical in prior testing/assertion efforts?
- Does the system contain key internal controls relevant to the assertion?
- Is the system a system of record relative to substantive testing?

Step 2: Document the accounting and feeder system architecture - flow of transaction data - for each end-to-end business cycle/segment

The DON established Data Flow Diagrams (DFDs) for each business segment to ensure system workflows were documented for end-to-end business transactions. DFD documentation is essential to achieving initial discovery and positioning the organization to deploy appropriate remediation efforts. Diagramming allowed the DON to map individual transactions for each business transaction type from the originating system to the General Ledger (GL) account in the accounting system and then into the final financial statement balances. Understanding the flow of business transactions supports the DON's ability to produce an audit trail for transactions reported in the DON's financial statement balances.

In addition, the DON continues to identify and catalog feeder system interfaces. The cataloged information is used to determine the existence, design, and effectiveness of feeder system interface controls.

The DON's DFD efforts support and enable the DON to efficiently and effectively complete the following audit readiness activities:

- Identify, catalog, and extract data files (the population of transactions) for account / subaccount balances as well as each interface point to demonstrate the data extraction process by system and financial statement line item.
- Establish a sustainable capability to repeatedly extract data.
- Reconcile transactions from point of origination through each intermediary system and ultimately into or back to the core accounting system.

Step 3: Demonstrate the current audit readiness state of the core accounting and key feeder systems

The DON refined its strategy for assessing Legacy and Enterprise Resource Planning (ERP) system controls. To provide a level of assurance, IT controls were prioritized based on FISCAM and FIAR guidance to ensure financial data integrity and reliability. Prioritization was based on the financial system relevance, business segment assertion timeline, BSO system ownership, and DON leadership perspectives. The DON identified top priority IT controls at the application, operating system platform, and database layers for the following FISCAM categories:

- Access Controls
- Segregation of Duties
- Configuration Management
- Application Controls
- Interface/Conversion Controls
- Data Management System Controls

The DON conducted FISCAM assessments on selected IT systems to evaluate functional and technical processes, documentation, and configurations against National Institute of Standards and Technology requirements. The prescribed FISCAM approach was implemented for each system assessed or planned assessment to include the following core accounting and key feeder systems:

- Navy ERP
- Navy Standard Integrated Personnel System (NSIPS)
- Command Financial Management System (CFMS)
- Funds Administration and Standardized Document Automation (FASTDATA)
- Decision Knowledge Programming for Logistics Analysis and Technical Evaluation (DECKPLATE)
- Defense Civilian Personnel Data System (DCPDS)
- Ordnance Information System (OIS)
- Program Budget Information System (PBIS)
- Standard Labor Data Collection and Distribution Application (SLDCADA)

In addition, the DON coordinated with service providers to include: DFAS, Defense Logistics Agency (DLA), and Defense Contract Management Agency (DCMA) to identify and prioritize feeder system assessments.

Step 4: Develop and execute an integrated approach to business transactions, internal controls, and systems capabilities testing

The DON focused efforts on linking IT business transactions, internal controls, and system controls. The DON identified impacts general IT control deficiencies potentially have on financial application business processes. The DON expectation is to have an improved understanding of system significant general IT controls.

In addition, the DON continues to communicate lessons learned from prior assessments with stakeholders, specifically program offices undergoing initial assessments. This included providing requirements to system owners regarding IT controls that are in scope for their assessments.

The DON also maintained a master schedule of system control assessments to include all identified financially significant systems. This schedule considered the relative significance of each identified system as well as possible efficiencies from concurrently assessing systems. The DON initiated financial system (i.e. ERP and DECKPLATE) assessments for IT general and application controls in order to assess the effectiveness of corrective actions. The DON's ARC tool was used as a repository for assertion and assessment documentation.

### **(3) Internal Control over Non-Financial Operations**

The following describes the DON's process for conducting the evaluation of Internal Control over Non-Financial Operations (ICONO), documenting the evaluation process, and supporting its evaluation and level of assurance.

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 Program (MICP), which includes developing operational policies and procedures, coordinating reporting efforts, and performing oversight reviews. The DON MICP is the administrative vehicle for monitoring the DON's systems of internal control by evaluating and maintaining sufficient documentation to support its evaluation and level of assurance. DON's MICP 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 (MAUs), 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. For submission to ASN (FM&C), the DON's MAUs compile internal control certification statements from their subordinate units to support the DON's Annual Statement of Assurance (SOA). The MAUs provide the UNSECNAV with their annual FMFIA certification statements. The signed

certification statements are used as the primary source documents for the SECNAV's determination of reasonable assurance over the effectiveness of the DON's various systems of internal control. MAUs and subordinate commands are encouraged to focus their Managers' Internal Control (MIC) certification statement on internal controls associated with their chartered functional/operational responsibilities along with their administrative duties.

To complement the culture of self-reporting control deficiencies, the DON's Auditor General, in collaboration with the DASN (FO), reviews audit reports from the Government Accountability Office (GAO), the DoD Inspector General (DoD IG) and the NAVAUDSVC. Ongoing collaborations with the DON's Audit General assist the DON with identifying control deficiencies and utilize a systematic methodology to determine materiality and potential for inclusion in the SOA. The high degree of collaboration and communication between the DASN (FO) MICP administrators and the NAVAUDSVC's Internal Control division has resulted in a consistent and comprehensive perspective to the DON's internal control posture. For self-reported material weaknesses and those stemming from audit reviews, the DASN (FO) MICP administrators work with the MAUs to develop, document and monitor corrective actions and milestones in accordance with DoD Instruction (DoDI) 5010.40 and other applicable guidance (See Tab B & D).

In addition, to the operational assessments described above, the DON MICP includes a separate assessment of ICOFR and ICOFS discussed separately (See Tab C).

DON maintains an audit trail of the evaluation process through the DON SOA online tool. MAU MICP Coordinators are required to submit their annual certification statements via the DON SOA Tool. The Tool has the following functions:

- Provides a historical archive of past and present reporting.
- Allows commands to self-report weaknesses and accomplishments.
- Aids in documenting corrective actions, setting milestones and tracking progress.
- Serves as a means of communication, allowing units/users to communicate to their respective chains of Command.

The DON mitigates identified internal control deficiencies through CAPs implemented by the MAUs. Annually, ASN (FM&C) distributes a memorandum requiring MAU Senior Accountable Officials (SAOs) to provide quarterly statuses on their corrective actions being implemented for the DON's identified material weaknesses and reportable conditions. Applicable SAOs facilitate the efforts for developing and resourcing the necessary corrective actions to correct the deficiency and provides an update to ASN (FM&C) quarterly via the DON's SOA Tool and DON Taskers. In addition, to promote assurance and accountability the DON provides quarterly updates to the OUSD (C) MICP office.

The DON MICP continues to expand reaching managers and coordinators enterprise-wide. The DON refreshed the MICP by:

- Performing site visits to evaluate the current MIC environment along with a compliance review.

- Providing MAUs with insight into their operational and administrative effectiveness and efficiency of their programs to identify areas that needed further DON’s collaboration and improvement.
- Publishing an inaugural MIC newsletter to communicate the toolsets, methodologies, and guidance available for MICEP stakeholders to enhance their capabilities.

The DON MICEP is examining the use of Continuous Performance Improvement (CPI) methodologies and tools to improve the internal control review process, standardize and clarify MIC and CPI guidance. CPI tools and processes will be utilized to streamline MICEP processes with data driven metrics for improvements and mitigation of internal control deficiencies. To facilitate the effort, the DON hosted a Rapid Improvement Event (RIE) to align MIC and CPI resources and identify optional CPI tools and specific areas for strengthening the MIC’s community. The DON prepared and distributed the MIC Evaluation Checklist to the DON’s organizations, to assist with the implementation of control self-assessments and utilize it as a practical toolset. The evaluation checklist addresses general aspects of the DON internal controls and provides guidance on how personnel can perform control self-assessments at their respective organizations.

The DON formulated an appointment letter to formalize and standardize the process by requiring DON MIC coordinators and alternates to adhere to applicable laws, regulations, and administrative policies. Currently, the DON is updating the SECNAVINST 5200.35E by referencing the newly issued DoDI 5010.40 as of May 2013. In conjunction with SECNAVINST update the DON is revising the MIC Manual to align to the updated guidance in the recent updates of the DoDI 5010.40. The MIC Manual’s intent will be to specify procedures for implementing an effective internal control program and will serve as management’s basis for the DON’s SOA.

In addition, the DON performed the annual Risk and Opportunity Assessment (ROA). DON’s organizations submitted their ROA inputs into a web-based repository application tool and NAVAUDSVC, Naval Inspector General (NAVINSGEN), and Inspector General (IG) of the Marine Corps assessed their inputs. This was the opportunity to assist the DON in identifying the major risk categories within the DON in terms of susceptibility to fraud, waste, and mismanagement; program effectiveness or inefficiency; statutory or regulatory noncompliance; and other areas of importance to senior leadership.

**b. Audit findings from DoD IG; NAVAUDSVC; and GAO. The findings that are deemed material weaknesses are reported in the table below:**

<u>Dates of Reports</u>	<u>Description of Findings</u>	<u>Major Assessable Unit (MAU)</u>	<u>Assessable Unit (AU)</u>	<u>Inspection Entity</u>
7 September 2011	<u>Contract Management – Service Contracts (N2011-0056)</u> : Opportunities existed to improve DON’s process of granting contractor and	DON CIO/ CNO	DON CIO/ Naval Education Training Center/	NAVAUDSVC

<u>Dates of Reports</u>	<u>Description of Findings</u>	<u>Major Assessable Unit (MAU)</u>	<u>Assessable Unit (AU)</u>	<u>Inspection Entity</u>
	subcontractor personnel access to information on non-Navy Marine Corps Intranet (NMCI) networks.		Space and Naval Warfare System Command (SPAWAR)/ Office of Naval Intelligence	
30 September 2011	<u>Contract Management – Service Contracts (N2011-0064)</u> : There were opportunities for Naval Facilities Engineering Command (NAVFAC) to improve internal controls of performance assessments to ensure execution compliance of applicable laws, regulations, and contract parameters.	CNO	NAVFAC	NAVAUDSVC
9 November 2011	<u>Contract Management – Service Contracts (N2012-0003)</u> : There were significant internal control weaknesses with the oversight and management of the acquisition and disbursing operations.	CNO	Naval Supply Systems Command (NAVSUP)	NAVAUDSVC
7 July 2011	<u>Contract Management – Service Contracts (DODIG-2011-081)</u> : The DON officials inappropriately allowed the contractor to perform inherently governmental functions. Additionally, the officials allowed organizational conflicts of interest, such as helping prepare requirements for the follow-on contract that the contractor bid on and won.	CMC	Marine Corps Systems Command (MCSC)	DoD IG
16 September 2011	<u>Contract Management – Service Contracts (DODIG-2011-109)</u> : The Heating,	CNO	NAVFAC	DoD IG

<u>Dates of Reports</u>	<u>Description of Findings</u>	<u>Major Assessable Unit (MAU)</u>	<u>Assessable Unit (AU)</u>	<u>Inspection Entity</u>
	Ventilation, and Air Conditioning Replacement project did not meet Recovery Act requirements to ensure sufficient documentation was reported for the replacement of a system and quality assurance plan for surveillance was implemented.			
7 November 2011	<u>Contract Management – Service Contracts (DODIG-2012-017)</u> : U.S. Naval Academy (USNA) and its supporting organizations did not have an adequate process for disbursing, recording and accepting gifts and non-appropriated funds.	CNO	USNA	DoD IG
4 October 2012	<u>Contract Management – Service Contracts (DODIG-2013-002)</u> : The DON did not follow DoD single-bid guidance and needed to implement better oversight of single-bid guidance.	Assistant Secretary of the Navy (Research, Development and Acquisition) (ASN (RD&A))	ASN (RD&A)	DoD IG
26 October 2012	<u>Contract Management – Service Contracts (DODIG-2013-007)</u> : To increase competition and price reasonableness determinations of task orders can be improved by providing solicitation to all contractors under the Multiple Award Contract and the conduction of greater surveillance by Contracting Officer's Representatives (COR).	CNO	NAVFAC	DoD IG
7 December 2012	<u>Contract Management – Service Contracts (DODIG-2013-028)</u> : Contracting	CNO	Naval Medical Logistics Command	DoD IG

<u>Dates of Reports</u>	<u>Description of Findings</u>	<u>Major Assessable Unit (MAU)</u>	<u>Assessable Unit (AU)</u>	<u>Inspection Entity</u>
	officials needed to improve making price reasonableness determinations, requesting price reductions, and supporting best procurement approach determinations to ensure that the best value when utilizing direct interagency purchases.			
21 December 2012	<u>Contract Management – Service Contracts (DODIG-2013-034)</u> : Contracting personnel did not properly justify the award of sole-source contracts with adequate justification to address all content requirements.	CNO	NAVSUP	DoD IG
8 February 2013	<u>Contract Management – Service Contracts (GAO-13-212)</u> : The DON did not issue comprehensive guidance for integrating operational contract support throughout planning efforts to be in compliance with DoD revised instructions, regulations, policies, and procedures.	DON-wide	DON-wide	GAO
21 June 2013	<u>Contract Management – Service Contracts (N2013-0033)</u> : There were opportunities to improve the execution of husbanding contracts to maximize the cost effectiveness, quality, and efficiency of port services.	CNO	NAVSUP/ U.S. Pacific Fleet (PACFLT)	NAVAUDSVC
10 September 2012	<u>Contract Management – Service Contracts (DODIG-2012-127)</u> : NAVFAC Southwest officials did not have effective controls in place to ensure adequate planning, contractor’s performance, and accurate	CNO	NAVFAC	DoD IG

<u>Dates of Reports</u>	<u>Description of Findings</u>	<u>Major Assessable Unit (MAU)</u>	<u>Assessable Unit (AU)</u>	<u>Inspection Entity</u>
	reporting of the Advanced Metering Infrastructure project.			
14 September 2012	<u>Contract Management – Service Contracts (DODIG-2012-132)</u> : The DON incorrectly estimated that a renovation project was the most economical method to address building deficiencies.	CNO	NAVFAC	DoD IG
18 December 2012	<u>Contract Management – Service Contracts (GAO-13-131)</u> : The DON did not have department-wide performance metrics related to contract closeout that were regularly monitored.	DON-wide	DON-wide	GAO
16 January 2013	<u>Contract Management – Service Contracts (N2013-0012)</u> : There was no assurance that Blanket Purchase Agreements and contracts were administered in full compliance with procurement policy.	CNO	Fleet and Family Readiness	NAVAUDSVC
30 April 2013	<u>Contract Management – Service Contracts (N2013-0025)</u> : Insufficient oversight of procurement activities to ensure continuous improvement was implemented through the Procurement Performance Management Assessment Program (PPMAP).	ASN (RD&A)	ASN (RD&A)	NAVAUDSVC
7 June 2013	<u>Contract Management – Service Contracts (N2013-0030)</u> : Performance Assessment Representatives did not provide sufficient written justification for Performance Assessment Worksheet and did not clearly	CNO	NAVFAC	NAVAUDSVC

<u>Dates of Reports</u>	<u>Description of Findings</u>	<u>Major Assessable Unit (MAU)</u>	<u>Assessable Unit (AU)</u>	<u>Inspection Entity</u>
	articulate what surveillance was conducted to support performance assessment ratings, contractor payments, and withholdings.			
6 December 2011	<u>Communications Security (COMSEC) (N2012-0007)</u> : There were opportunities to improve COMSEC procedures and policies for requesting, approving, and documenting the release of equipment to contractors, which would support accountability to prevent or detect irregularities or noncompliance.	DON CIO	DON CIO	NAVAUDSVC
27 December 2012	<u>COMSEC (N2013-0006)</u> : There was the need to improve Central Office of Record administrative procedures for reconciling and documenting COMSEC accounts.	CNO	Fleet Forces Command	NAVAUDSVC
29 July 2011	<u>Personally Identifiable Information (PII) (N2011-0046)</u> : The Recruiting Command: (1) did not fully develop and implement the Privacy Act Program, and (2) continued to use straight cut shredders to dispose of PII.	CMC	CMC	NAVAUDSVC
8 December 2011	<u>PII (N2012-0009)</u> : This audit was a follow-on audit to assess improvements made to the DON internal control environment and compliance with DON CIO policy to correct internal control weaknesses.	DON CIO	DON CIO	NAVAUDSVC
9 March 2012	<u>PII (N2012-0025)</u> : Improper controls were in place to protect PII, which was the	CNO	Naval Sea Systems Command	NAVAUDSVC

<u>Dates of Reports</u>	<u>Description of Findings</u>	<u>Major Assessable Unit (MAU)</u>	<u>Assessable Unit (AU)</u>	<u>Inspection Entity</u>
	result of a lack of formal policies and procedures to address management oversight and monitoring.		(NAVSEA)	
28 August 2012	<u>PII (N2012-0063)</u> : Internal control weaknesses were found in PII disposal, physical and electronic safeguards, spot checks, and training.	CNO	Navy Reserve Forces	NAVAUDSVC
15 January 2013	<u>PII (N2013-0010)</u> : There were opportunities for improvement of IT and audio-visual asset property records and inventory accountability processes at Navy hospitals.	CNO	Bureau of Medicine and Surgery (BUMED)	NAVAUDSVC
27 June 2013	<u>PII (N2013-0034)</u> : The DON did not have an approved and implemented contingency plan in place to deal with an unexpected event related to protection of PII or sensitive data.	CNO	BUMED BUPERS	NAVAUDSVC
22 December 2011	<u>Earned Value Management (EVM) (N2012-0011)</u> : EVM was not implemented and utilized to monitor acquisition program cost, schedule, and performance in accordance with DoD requirements.	CNO	NAVSEA	NAVAUDSVC
5 April 2012	<u>EVM (N2012-0031)</u> : EVM was not fully implemented and used to monitor acquisition program cost, schedule, and performance in accordance with DoD requirements.	CNO	NAVSEA	NAVAUDSVC

**c. Assessment of the Acquisition Functions**

As required by OMB Circular A-123, the DON assessed Internal Control over Acquisition Functions using OMB Guidelines for assessing the acquisition function and the Office of the Under Secretary of Defense (Acquisition, Technology and Logistics) (OUSD (AT&L))

Guidance. This effort focused on determining whether any deficiencies or material weaknesses exist within DON and associated CAPs.

SECNAVINST 5430.7Q, "Assignment of Responsibilities and Authorities in the Office of the Secretary of the Navy", designates ASN (RD&A) as DON's Service Acquisition Executive (SAE) to assess entity level internal control over acquisition functions. Policies, processes, and acquisition activities across the Systems Commands (SYSCOMs) and Program Executive Offices (PEOs) were considered in terms of compliance and execution of established internal controls as stated below.

DoD and OMB templates were used as the primary guides for assessing effectiveness of internal controls over acquisition functions. DON implementation of controls established in DoDI 5000.02 "Operation of the Defense Acquisition System" was evaluated in comparison to the following elements of OMB Circular A-123 cornerstones: organizational alignment and leadership, policies and processes, human capital, and information management and stewardship.

SECNAVINST 5000.2E, "Implementation and Operation of the Defense Acquisition System and the Joint Capabilities Integration and Development System", of 1 September 2011 serves as the fundamental internal control policy for implementation and compliance with statutory and regulatory requirements of DoDI 5000.02. SECNAVINST 5000.2E 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, "DON Requirements and Acquisition Process Improvements", subsequently incorporated into the SECNAVINST 5000.2E, 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.

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 assessments at all Gate Reviews are based on weighted criteria depending on the phase of the program.

Current program decision meetings as set forth in SECNAVINST 5420.188F, "ACAT Program Decision Process", provide 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, "DON Research, Development and Acquisition, and Associated Life Cycle Management Responsibilities and Accountability", of 13 September 2007 documents duties and responsibilities of CNO, CMC, ASN (RD&A), PEOs, SYSCOM Commanders, and Direct Reporting Program Managers (DRPMs). 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 FAR and the Defense Acquisition Regulations 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), SYSCOMs, PEOs, DRPMs, PMs, and Office of the Chief of Naval Operations (OPNAV), and Headquarters Marine Corps (HQMC) 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. The dashboard requires general information regarding program milestones and status and detailed information addressing program assessment, budget information, and metrics information.

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 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.
- Quantify the identified risks and incorporate an updated Estimate at Complete.

Indicators of practices and activities that facilitate good acquisition outcomes include, but are not limited to, the Naval Capabilities Board (NCB), Resources and Requirements Review Board (R3B), Configuration Steering Boards (CSBs), requirement for independent cost estimates, 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. The R3B is the DON's forum for reviewing and making decisions on DON 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.

DON has implemented DoD's requirement for annual CSBs by integrating this function into the Gate Review process. ASN (RD&A), as the 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 ICE 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).

The Commander, Operational Test and Evaluation Force (COMOPTEVFOR) and Director, Marine Corps Operational Test and Evaluation Activity are responsible for independent 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.

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. MDAs 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 5000.2E, for PEOs, SYSCOMs, DRPMs, and PMs to ensure separation of functions so the authority to conduct oversight, source selection, and 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 OUSD (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.

## TAB A-2

### Significant MICP Accomplishments

#### Significant MICP Accomplishments Achieved During FY 2013

The MICP is important to achieving and maintaining proper stewardship of Federal resources and to ensure the DON's programs operate efficiently and effectively to achieve desired objectives. The SECNAV identified the following mission critical objectives for FY 2013 and beyond:

1. Take Care of Our People – to provide Sailors and Marines with care, both in health and wellness.
2. Maintain Warfighter Readiness – to remain a naval force fully prepared for a variety of operations.
3. Lead the Nation in Sustainable Energy – to reduce energy consumption through cutting energy usage on bases with new solar and geothermal technologies providing electricity.
4. Promote Acquisition Excellence and Integrity – to rebuild acquisition workforce, improve the execution of every program, increase anti-fraud efforts, and leverage strategic sourcing to take advantage of economies of scale.
5. Dominate in Unmanned Systems – to sustain and enhance DON's global presence with continued investment in unmanned systems.
6. Drive Innovative Enterprise Transformation – to provide stronger financial management and increased auditability including maximization of IT enterprise and management of human capital.

The following are the most significant MICP accomplishments representing improvements in accounting and administrative control mitigating risk to the DON's ability to achieve the above objectives. These accomplishments are representative of the DON's effort to address deficiencies identified through improved compliance, oversight, and efficiency and effectiveness of control.

#### 1. Take Care of Our People

##### ASN (RD&A) – Access Control

##### Internal Control Reporting Category: Security

**Description of the Issue:** There was an insufficient access control system in place at the Naval Support Facility (NSF) in Arlington that prevented an accurate accountability of personnel occupying the facility at any given period of time.

**Accomplishment:** Improvements to the access control systems and policies were implemented at the PEO for Enterprise Information Systems workspaces. A new lock system was installed at NSF in Arlington leveraging use of the Smart Card technology, which eliminated the use of manual cipher locks accessed with a single code. The new system provides the

Operations/Information Assurance Officer with the ability to change access thresholds as required and deactivate Common Access Cards as necessary.

At the Navy ERP Annapolis facility, a new security badge database was developed to ensure instant accountability and validation of security badge holders, along with providing facility management with the ability to change access thresholds as required and deactivate badges when necessary. In addition, a real-time facility monitoring system was installed, which provided facility management staff with the ability to monitor facility access 24/7 and allows visitors to communicate with the front desk staff for deliveries, training, meetings, etc. New access control procedures were incorporated into security instructions and procedures.

At the Naval Enterprise Network workspaces located at the Washington Navy Yard, the policy and guidelines regarding access to work spaces during and outside normal business hours were updated and implemented. Modified access control procedures limit government contractors' building privilege. In addition, policy provides clear contractor business rules and procedures during emergency base or program office closures and delayed arrivals.

### **ASN (RD&A) – Time and Attendance, Travel Improvements**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** There were opportunities to improve auditability as it pertains to approval of time and attendance records and approval of travel records.

**Accomplishment:** For reporting period 2012, less than 10% of supervisors approved time for their assigned personnel. However, the institution of new policies and routine audits, an estimated 90% of supervisors regularly approve time for assigned personnel. The following actions have been implemented to improve auditability:

- Developed Navy ERP timekeeping audit reports, which generated auditable time and attendance data.
- PEO Command, Control, Communications, Computers and Intelligence (C4I) implemented monthly time and attendance audits to ensure, at a minimum
  - Supervisors, with knowledge of employee's time and attendance regularly approve at the end of each pay period
  - Prior pay corrections are processed in the period they are identified
  - Compensatory time, leave (i.e. annual and sick) and overtime are approved in accordance with SPAWAR Instruction 12600.1D.

To ensure accurate and timely travel transactions, C4I continues to refine travel policies to improve travel accountability by:

- Utilizing Defense Travel System (DTS) generated reports to audit travel records.
- Posting all pertinent travel policies to the PEO Operating Guide.

- Regular “all hands” email distributions to ensure travelers and certifying officials are aware of policies.

## **BUMED – BUMED and NAVAUDSVC Financial Transaction to Financial Statement Audit**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** BUMED did not have procedures in place to trace purchase card and travel events from transaction inception to the SBR. Without a cradle-to-grave process, BUMED did not have confirmation that SBR amounts could be directly traced to transaction level detail. This gap between transactions and ending balances, if not mitigated, would negatively impact BUMED’s financial statement auditability.

**Accomplishment:** In a joint effort with the NAVAUDSVC, BUMED devised methods and procedures to test purchase card and travel transactions from inception to the SBR.

Specific steps in this process included:

- The team confirmed the sample transactions within BUMED’s total transaction population. The team demonstrated that the FY 2012 purchase card and travel transactions originating within the Standard Accounting and Reporting System-Field Level (STARS-FL) were recorded into the journal voucher, GL and trial balances into the DoD financial statements in the Defense Department Reporting System-Audited Financial Statement (DDRS-AFS).
- The team traced the transactions to the STARS-FL United States Standard General Ledger (USSGL) postings, demonstrating that all transactions were posting at the sub-Line of Accounting (LOA) level, which is the first key step in producing accurate DoD financial statements. The team then verified that the sub-LOA transactions posted accurately to the trial balance and further identified that other records with the same sub-LOA attributes also posted.
- The team subsequently verified that the trial balance records correctly processed into the Defense Department Reporting System-Budgetary (DDRS-B) and that the resulting Standard Form (SF) 133 budgetary reports were exported from DDRS-B. Finally, the team verified the specific FY DDRS-AFS SF 133 budgetary reports were included in the consolidated DDRS-AFS SF 133 budgetary reports and the SBR.

This joint work between BUMED and NAVAUDSVC demonstrated all of the major audit assertions for financial transactions: existence and occurrence, completeness, rights and obligations, and valuation. This joint work was recognized with an award by ASN (FM&C) for “Innovative Financial Management Initiative.” Ultimately, the capacity to trace financial transactions from inception to the SBR demonstrates financial statement auditability and the ability to obtain a “clean audit opinion” using legacy financial systems across DON and DoD systems. BUMED’s roadmap for the step-by-step process will permit other BSOs to trace financial transactions more quickly and more effectively to the SBR.

## **BUPERS – Assertion of Audit Readiness for Military Pay (MILPAY)**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** The National Defense Authorization Act (NDAA) for FY 2010 mandated that all DoD financial Statements be audit ready by 30 September, 2017. As part of the FIAR Plan required in the 2010 NDAA, DoD was tasked with improving budgetary information in order to achieve an unqualified audit opinion on the DON's SBR and providing results-oriented metrics for measuring and reporting quantifiable results towards addressing financial management deficiencies. BUPERS is assigned as the functional lead for achieving the MILPAY segment.

To assert audit readiness, BUPERS is required to demonstrate that proper documentation exists for all transactions, sound business processes are established, and the organization is adhering to all appropriate and generally accepted accounting policies, procedures, and standards. Additionally, business processes must be sustainable, traceable, and repeatable to achieve an audit opinion.

**Accomplishment:** The MILPAY business segment was not audit ready at the start of 2012. To achieve audit readiness for MILPAY in 2013, BUPERS had to work in conjunction with DON Financial Management Office. As segment Lead, BUPERS undertook the following efforts:

- Coordination with MILPAY Stakeholders
- Planning and execution of two official rounds of controls and substantive testing (including the request, receipt, and validation of approximately 2,200 sample items)
- Implementation of approximately 26 CAPs
- Development of business process descriptions and maps
- Development of additional MILPAY controls and reconciliations
- Compilation of documentation and data files for the MILPAY Assertion Package

The BUPERS MILPAY team successfully asserted audit readiness to the FIAR Office on 31 March, 2013.

## **BUPERS – Audit Assertion of the Civilian Pay (CIVPAY), Transportation of People (TOP), Reimbursable Work Order - Grantor (RWO-G), and Reimbursable Work Order - Performer (RWO-P) Business Segments**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** The NDAA for FY 2010 mandated that all DoD financial statements be audit ready by 30 September, 2017. As part of the FIAR Plan required in the 2010 NDAA, DoD was tasked with improving budgetary information in order to achieve an unqualified audit opinion on the DON's SBR and providing results-oriented metrics for measuring and reporting quantifiable results towards addressing financial management deficiencies. BUPERS is assigned as a segment lead for the CIVPAY, ToP, RWO-G and RWO-P business segments.

To support the assertion of audit readiness across each of these segments, BUPERS is required to demonstrate that proper documentation exists for all transactions, sound business processes are established, and the organization is adhering to all appropriate and generally accepted accounting policies, procedures, and standards. Additionally, business processes must be sustainable, traceable, and repeatable to achieve an audit opinion.

**Accomplishment:** The CIVPAY, ToP, RWO-G, and RWO-P business segments were not audit ready at the start of 2012. BUPERS documented its business and financial environment, defined and prioritized its CIVPAY, ToP, RWO-G, and RWO-P business segments, assessed risks and controls, evaluated supporting documentation, and identified weaknesses and deficiencies through multiple rounds of testing. BUPERS documented solutions to identified deficiencies, identified resources for requirement, and developed validation procedures to confirm the success of CAPs.

BUPERS evaluated corrective action effectiveness through testing and determined that it was ready to assert audit readiness for its assigned area of responsibility within these segments. BUPERS successful contribution enabled the DON to assert audit readiness to the FIAR Office for CIVPAY and ToP on 30 June, 2012 and for RWO-G and RWO-P on 31 January, 2013.

## **Chief of Information (CHINFO) – Information Application Development**

**Internal Control Reporting Category:** Support Services

**Description of the Issue:** CHINFO initiated the development and launch of an official U.S. Navy mobile application. The official U.S. Navy mobile app enables people to get the most current Navy news and information at their fingertips. Features include:

- Availability in iOS, Android, Windows and Google Chrome markets
- Availability in tablet and mobile versions
- Top U.S Navy content updated several times a day
- Customizable home feeds
- A world map complete with all U.S. Navy bases, historical sites, Fleet concentration areas, status of the Navy, and key forward presence Navy assets
- Calendar of important deadlines and events
- Ability to push user notifications for breaking news

**Accomplishment:** The internal reorganization of information and websites, conducted last year, integrated information preparation, some aspects of outreach, and visual information production and has continued to excellent effect. The growth of social media continues, and the need to extend DON's presence in the public forum grows as well. The launch of a U.S. Navy mobile app increases awareness of Navy operations among the public and promote readiness among our Sailors, Navy civilians and families by making the most relevant Navy news, imagery and videos available on their mobile devices. DON continues to lead the way in effective use of new media and new technology, and this initiative is an important further step in that direction.

## **CHINFO – Television Production Facilities**

**Internal Control Reporting Category:** Supply Operations

**Description of the Issue:** Last FY, with financial assistance from the DON Assistant for Administration (DON/AA), CHINFO leveraged its technical personnel at CHINFO to design, build, and operate a small television studio within their respective spaces. The television studio can be utilized to perform the following multimedia functions: (1) film live interviews; (2) replay broadcast; (3) produce video footage; (4) edit videos; (5) and support audio/visual request. DON/AA assisted with the studio equipment suite that was used to standup the DON's cable television channel.

**Accomplishment:** As visual communication has assumed greater and greater importance in today's media-rich environment, message delivery is a necessity for DON leadership. Having a studio to film interviews, videos for blogs, and other audio visual products enables the Navy to develop communication products to educate and inform key audiences, to include Sailors, Civilians and the general public. With a DON cable television channel, CHINFO receives a large volume of imagery from the Fleet documenting the daily activities of our Sailors, and coverage of activities can now be aired for DON audiences in the Pentagon, which will soon be made available for general audiences via commercial cable carriers. This will be an important outreach tool, providing interesting and informative multimedia programming for the public using existing resources at minimal cost.

## **CNIC – Life Skills (Suicide Prevention Training)**

**Internal Control Reporting Category:** Personnel and Organizational Management

**Description of the Issue:** In support of CNRSE Strategic Objectives, the following DON Suicide Prevention Program goals were established:

- CNRSE Fleet and Family Support Program increase awareness of the DON Suicide Prevention Program (SPP) - Ask, Care, Treat and how to intervene when someone needs help.
- Facilitate and provide DON SPP training for Command leaders, frontline supervisors, Ombudsmen and other key Command personnel.
- Partner with Navy Personnel Command (NPC) to provide train-the-trainer training for installation/tenant Command Suicide Prevention Coordinators (SPCs) region-wide.
- Train regional Fleet and Family Support Center (FFSC) Educator/Work and Family Life staff to assist installation/tenant Command SPC with required training.

**Accomplishment:** CNRSE Family Readiness Program developed a partnership with NPC to provide train-the-trainer training for Command SPC worldwide via Defense Connect Online (DCO). The DCO training collaboration reduced travel cost. To date over 2,000 command SPCs worldwide have received DON required training via this initiative. This figure includes over 207 Command SPCs within CNRSE Area of Responsibility (AOR). For FY 2012 and

2013, FFSCs have conducted 208 General Military Trainings and trained 11,329 service members and civilian assigned to regional Commands. Furthermore, CNRSE FFSCs supported 28 Navy Operational Support Centers within CNRSE AOR.

### **DON/AA – Combined Federal Campaign (CFC)**

**Internal Control Reporting Category:** Personnel and Organizational Management

**Description of the Issue:** Increase controls over CFC donations, training, and improvements to prevent waste, fraud, and misuse of personnel contributions.

**Accomplishment:** As part of the new processes institutionalized by National Capital Area (NCA) CFC, DON/AA established Standard Operating Procedures (SOPs) for handling charitable campaign donations and deposit bags. The revised SOP allows for military and civilian payrolls office to efficiently and effectively reconcile all charitable deductions and cash deposits with eventual elimination of handling cash. To coincide with the new SOP DON/AA established and/or incorporated new training aides, supplies, and training procedures for their charitable campaign program. The new training requirements were based on past evaluations, customer surveys, efficiency improvements, and new CFC processes. In addition, DON/AA introduced the use of the NCA CFC software tracking program in order to capture timely and accurate data. Periodic reviews and oversight of newly implemented SOPs are conducted during each phase of the campaign cycle.

### **DON/AA – Wireless Device Management**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** The DON issues an extensive amount of wireless devices to meet mission critical initiatives. However, there are a number of inactive accounts or accounts that have limited usage, which is producing unwarranted cost the DON.

**Accomplishment:** DON/AA's Information Technology Division (ITD) appointed a Wireless Device Manager to track wireless device accounts. Wireless account statements are now being received by appropriate personnel and are thoroughly reviewed for discrepancies. All inactive accounts are documented and examined for persistent inactivity. After follow up attempts to confirm customer account inactivity, service for those customers in question are either left intact or go into a state of disablement, which is not charged for by the service provider. After 90 days, accounts can be officially deactivated, allowing for those accounts to be redistributed to new customers. Projected total savings for the newly implemented process is an estimated \$8,932.65 per month, resulting in annual savings of approximately \$107,191.80.

### **Office of Judge Advocate General (OJAG) – Assessments of OJAG Headquarters Programs**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** OJAG needed to assess their programs including the Government Commercial Purchase Card, Government Travel Card Program, Information Assurance (IA), Command security programs, and contracting processes.

**Accomplishment:** Assessment of OJAG headquarters is achieved through MIC reviews and other management information, including knowledge and information gained from daily operations and functions, and other management information. During the 12-month period ending 30 June 2013, OJAG conducted 15 internal reviews and assessments of headquarters programs as part of the OJAG MICP. These reviews, centralized in the period from July – October 2012, focused on a range of programs including IA, the Government Commercial Purchase Card program, the Government Travel Card Program, Command security programs, and contracting processes.

During the 12-month period ending 30 June 2013, OJAG corrected one of two reportable conditions (contracting process). OJAG headquarters also initiated a more formalized quarterly review process in which to assess key headquarters programs. The quarter from April – June 2013 will be the subject of the first assessment, scheduled for July 2013, which will concentrate on feedback from collateral duty special assistants and Subject Matter Experts (SMEs).

### **Naval Postgraduate School (NPS) – Review and Update the Academic Integrity, Basic Integrity and Honor Code Instructions**

**Internal Control Reporting Category:** Personnel and Organizational Management

**Description of the Issue:** The NAVINSGEN recommended that NPS review its academic integrity program. The review must include both student and faculty orientation programs to ensure that the topic is covered in sufficient detail. In addition, the NPS review must consider routine "Plan of the Day" type reminders throughout the academic year; making the entire NPS community aware of the final adjudication of honor code violations when they occur to reinforce the active nature of the program and of the severe sanctions possible in the event of a violation; and having incoming students sign an academic honor code statement. Some of these provisions have already been included in the draft revision to the academic honor code instruction.

**Accomplishment:** The Dean of Students has been working in close collaboration with NPS faculty, staff and students (student council representatives) to draft a new NPS Academic integrity instruction with an embedded honor code policy statement which will formalize process, intent and authority. The following sub-tasks have been completed:

- Working group meeting to address the issue of orientation briefings and communication plan with the campus regarding reminders, violations and honor code statement acknowledgements.
- Update check-in process to capture Honor code statement.
- Develop orientation briefings based on new instruction.
- Execute in time for next new student orientation.

## NAVSEA – CPI

**Internal Control Reporting Category:** Communications; Intelligence; Security; and Personnel and Organizational Management

**Description of the Issue:** Naval Undersea Warfare Center Division Newport (NUWCDIVNPT), like the rest of the DON, is experiencing a time of budgetary uncertainty. There is a serious need to re-examine existing processes to see how the same work that was done in the past can now be done more efficiently and with fewer resources.

**Accomplishment:** NUWCDIVNPT was challenged to show a ten to one Return on Investment (ROI) for their FY 2012 CPI efforts, which translated into an overall goal of \$12 million. Through diligent planning and project selection, NUWCDIVNPT more than doubled this goal. The division's projected savings from FY 2012 CPI activity is almost \$28 million from FY 2012 – FY 2014. In addition to beginning new CPI initiatives in FY 2012, NUWCDIVNPT went back to look at events from prior years to validate that the benefits that had been projected were able to come to fruition. Through these validation efforts, NUWCDIVNPT was able to verify almost \$50 million worth of projected benefits from previous years.

NUWCDIVNPT's FY 2012 CPI activities included:

- Full review/analysis of Mark-48 Torpedo Afterbody Maintenance Process
- Analysis of DON Multiband Terminal Program
- Review of Heavy Weight Torpedo Turn Procedure
- Removal of UPS Devices and Install Smart Power Strips (also yielded large energy reductions)
- Enhancement of efficiency in operations of Program Office 425 sponsor owned material warehouse

NUWCDIVNPT also hosts regular CPI Out-brief Forums, which offer an excellent opportunity for DON activities to learn from one another and replicate those lessons. The Forums are attended by NUWCDIVNPT's Leadership, both the Commanding Officer (CO) and Division Technical Director (DTD), along with representatives of each of the departments. The CO/DTD followed up the forums with "all hands" email summaries to the workforce recognizing the results and efforts of the individual teams who presented their results. This recognition and attention by NUWCDIVNPT's leaders demonstrates the commitment of the organization to continuous improvement and in reducing total ownership costs. To highlight the success of our program, one of NUWCDIVNPT's projects was selected to be presented by the NAVSEA Vice Commander at his Quarterly CPI Forum at the Washington Navy Yard.

## Naval Special Warfare Command (SPECWARCOM) – MICP

**Internal Control Reporting Category:** Personnel and Organizational Management

**Description of the Issue:** To strengthen SPECWARCOM's reasonable assurance of

effectiveness and efficiency of operations, standardization of processes and document retention was needed.

**Accomplishment:** To improve standardization and consistency in data reporting throughout the Force, SPECWARCOM developed and deployed a Naval Special Warfare-wide MICP Plan, tailored to the mission of each Echelon III and IV activity. 70 Assessable Units (AU) were selected as special interest areas and self-assessed throughout the Force. AU Managers at each reporting activity completed a MIC review and risk assessment identifying threats and internal controls to mitigate the risk of success of those threats. The IG's Community of Interest Portal Site (CoIPS) has added great value to the management of the MICP. All SOA, MICP Plans, MIC reviews and risk assessments are individually uploaded to the IG's CoIPS by each Echelon III and IV activity. Use of the IG's CoIPS has improved the collection and retention of SOAs and supporting documentation. Training briefs, templates and frequently asked questions, along with other valuable information, are also readily available to the Force on the IG's CoIPS.

### **PACFLT – MICP Improvement**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** The MICP is responsible for maintaining a sustained risk of management function for the DON. The Comptroller Department at PACFLT has program management oversight of the MICP. Significant improvements were made to the MICP framework for assessing risks and ensuring a value-added program to the PACFLT AOR.

**Accomplishment:** PACFLT continues to progress with their FIAR and BPS Programs. Utilizing FIAR and BPS tools provide a robust and strengthened MICP within an audit readiness environment. Continuously integrating FIAR sustainment efforts with DON MIC standards create a more collaborative and sustainable risk management function for assuring the FMFIA goals and objectives are met. Accomplishments include developing Audit Readiness Sustainment Checklists, Business Segment Desk Guides, and SOPs. These tools assist PACFLT Echelon III and Direct Reporting Activities with a mechanism to mirror DON Business Standards with their current business processes and FIAR asserted business segments. Additionally, audit readiness tools provide a process for MICP reporting requirements of internal controls. PACFLT has begun an open dialogue and communications with financial, functional and PMs to ensure MICP goals are synchronized with FIAR and BPS program objectives.

### **Marine Corps Administration and Resource Management Division – Review of Civilian Permanent Change of Station (PCS) Procedures in the Travel Section**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** The Resource Evaluation and Analysis Section conducted a comprehensive review of PCS procedures, including the financial accounting process, to evaluate the effectiveness of programmatic internal controls. The review included 201 records

from FY 2010 and FY 2011. Administratively, the PCS procedures were very thorough and sound. Cost estimates were determined properly and orders were written in accordance with regulations.

The program's problems centered at the financial accounting process. Civilian PCS costs fall into three distinct categories, each with a separate expensing methodology. Expenses for the first category, PCS Travel, process directly through the Standard Accounting, Budgeting, and Recording System (SABRS). Expenses for the second category, Household Goods Shipment, are entered into SLDCADA, a commercial web-based accounts payable/receivable platform that feeds into SABRS. Commercial moving companies use it to post charges to SABRS. Expenses for the third category, Defense National Relocation Program, process on a contract through the U.S. Army Corps of Engineers once the employee's home sells. Expenses from each category must be validated by the PCS section on an employee-by-employee basis. Once the actual expenses are posted to SABRS, the original cost estimates must be adjusted to match them.

The review identified that cost estimates were not being adjusted in SABRS. Because Fiscal's Unliquidated Order (ULO) process did not include Civilian PCS, there was no way to identify that the adjustments were not made.

**Accomplishment:** As a result of the review, the Budget Execution and Travel Sections began development of preliminary procedures to integrate all aspects (administrative and financial accounting) of PCS. The procedures will also include SOPs for adjusting travel expenses, file maintenance for supporting documentation, and close-out of travel records. Follow-on reviews are planned to evaluate the effectiveness of the procedures.

Improvements: The integration improved the PCS process by:

- Including Civilian PCS in the monthly ULO process will serve as an internal control to ensure that expenses are adjusted.
- Updating points of contact lists for each external agency/organization. Intra-agency coordination is currently underway to synchronize PCS operations. Fiscal Branch of Administration and Resource Management Division anticipates that this coordination will result in a more streamlined and effective PCS process.
- Developing financial expense tracking spreadsheets to expand Fiscal's ability to identify funds by appropriation, FY, organization, document number, and traveler, across all expense categories.
- Enhancing record-keeping procedures for supporting documentation were instituted.

Cost Reduction and Avoidance:

- Cost avoidance in overpayments/erroneous payments.
- Cost reduction of employee man-hours from more efficient, effective, and coordinated procedures.

## Marine Corps Health Services – Polypharmacy Performance Improvement Project

**Internal Control Reporting Category:** Support Services – Health Services

**Description of the Issue:** In the latter half of 2011, senior Marine Corps leadership became concerned that multiple prescriptions (polypharmacy) Marines and Sailors were taking was having a negative impact on their health and operational status. To accurately assess the extent and impact of polypharmacy on the operational forces, HQMC Health Services initiated an action plan to assess the extent of polypharmacy practices and mitigate the attendant risks to service members.

**Accomplishment:** HQMC Health Services Directorate coordinated a year-long (February 2012 to January 2013) Performance Improvement/Quality Assurance project across all three Marine Expeditionary Forces (MEFs).

Using standardized data queries to the Pharmaco-Economic Center centralized prescription database, data on all psychotropic or narcotic medications prescribed to Marines and Sailors assigned to MEF units were compiled. MEF medical staffs reconciled the actual medications taken by Marines and Sailors to more accurately assess the extent and impact of polypharmacy. Multiple performance improvement opportunities developed from this analysis leading to increased Command and medical staffs understanding of personnel affected by polypharmacy and the development of tailored mitigation plans.

### Improvements:

- MEF-wide Polypharmacy/Medication Reconciliation Training Stand-Down: HQMC Health services and BUMED developed and deployed a four and a half hour training course reinforcing verification and reconciliation of all medications at every patient encounter. This stand- down was completed in December 2012.
- Development of high-risk criteria for patients on three or more medications that promoted situational awareness by Command and medical staffs of Marines and Sailors whose complex treatment cases required additional Command support and resources.
- Improved processes across the MEF medical staffs to ensure all medications were accounted for at every patient encounter and documented in the medical record.
- Improved limited duty screening and tracking of Marines that may have mission limiting conditions. This included increased care coordination by Command medical staffs with specialty consultants and external treatment resources to ensure all providers' treatment plans were integrated into an optimal overall patient treatment plan.
- Resulted in a trend of decreasing use of polypharmacy by incorporating increased non-pharmaceutical therapies into care plans.
- Showed leadership that polypharmacy was not a major causal factor in eight-day events. Alcohol and personal relationships were found to be the most consistent causal factors.
- Promoted greater utilization of Command Force Preservation Councils to coordinate care issues with Command resources to address the non-medical issues affecting the overall health and fitness for duty of every Marine and sailor.

## **NCIS – Fleet Inventory Management**

**Internal Control Reporting Category:** Property Management

**Description of the Issue:** During an internal division audit, the Fleet Branch identified deficiencies in vehicle inventory reporting and fuel card management.

**Accomplishment:** NCIS Logistics Division established new internal controls that include a new tracking form which includes specific details such as Vehicle Identification Number, DON number, and location. The Fleet Branch instituted a semi-annual vice annual sight inventory. The inventory is only considered valid if the appropriate Special Agent in Charge, the Deputy Assistance Director, or Resident Agent in Change signature appears. Additionally, the Division submits the request for the semi-annual sight inventory via the DON Tasker System to ensure 100% submission from Headquarters Codes and Field Offices. Fuel cards associated with each vehicle are also inventoried during the semi-annual inventory. As a result of the internal audit, the Logistics Division standardizes the monthly fuel card invoice review process to ensure better accountability and fiscal auditability.

## **NCIS – Government Purchase Card Program (1)**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** January 2013 NCIS purchase card documents were reviewed to ensure compliance with required purchase card regulations and policies. It was determined that for several transactions NCIS did not obtain itemized sales receipts or other sales documents in order to document the proper separation of function in ordering and accepting supplies or services.

**Accomplishment:** NCIS Purchase Card Agency Program Coordinator will ensure that all transactions are properly documented with a copy of sales receipt or sales document as required by NAVSUP Instruction (NAVSUPINST) 4200.99B, chapter 4, paragraph 4. Random audits will be conducted to ensure documentation is obtained in compliance with the requirement. This requirement will be reiterated via emails on a monthly basis.

## **NCIS – Government Purchase Card Program (2)**

**Description of the Issue:** January 2013 NCIS files revealed inadequate documentation supporting the requirement to maintain a clear separation of function.

**Accomplishment:** NCIS Purchase Card Agency Program Coordinator will ensure proper separation of function procedures is documented. All receipt signatures shall be legible and accompanied by the printed name and date as required by NAVSUPINST 4200.99B, Chapter 4. Random audits will be conducted to ensure documentation is obtained in compliance with the

requirement. This requirement will be reiterated via emails on a monthly basis to all purchase card participants.

## **NAVINGEN – Civilian Time and Attendance**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** A high number of errors were detected in how NAVINGEN civilian personnel request leave (i.e., regular, sick, compensatory time, credit hours) in the SLDCADA system. The processes to account for this leave were inconsistent. Although leave was properly charged, there was a lack of documentation to conduct checks-and-balances.

**Accomplishment:** Three assessments (1 October through 31 December 2012; 1 January through 28 February 2013; and March 2013) of the SLDCADA system were conducted. These assessments compared approved requests to the leave hours (i.e., annual leave and sick leave) entered in SLDCADA. The system is monitored monthly for errors and corrections, as required. These actions have resulted in a significant reduction in errors and corrections to the SLDCADA system.

## **NAVINGEN – Government Purchase Card**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** The Fleet and Industrial Supply Norfolk PPMAP staff conducted a review of the NAVINGEN procurement authority execution. NAVINGEN received a satisfactory rating; however, there were two findings regarding inadequate documentation supporting the requirement to maintain a clear separation of function and no documentation of a PR or requisition showing funding and approval.

**Accomplishment:** NAVINGEN updated the IOPs to include procedures cardholders must follow to ensure all receiver signatures are legible and accompanied by the printed name and date as required by NAVSUPINST 4200.99B, Chapter 4. NAVINGEN distributed a copy of the updated IOPs to all cardholders. NAVINGEN notified the cardholders via e-mail of the requirement to ensure all receivers signatures are legible and accompany the printed name and date. NAVINGEN provided training to the cardholders to ensure they fully understand and follow the NAVSUPINST 4200.99B. Additionally, at the beginning of FY 2013, NAVINGEN implemented procedures requiring a PR for all purchase card actions.

## **Office of Naval Research (ONR) – Random Antiterrorism Measures (RAM)**

**Internal Control Reporting Category:** Security

**Description of the Issue:** RAM is defined as the variation of security routines, which can include the seemingly random application of higher level security methods, particularly those which may be actually utilized during heightened awareness periods or in response to incidents. While a sense of randomness is meant to be projected to the public and potential adversaries, such measures are frequently assigned in a strategic and/or directed manner to target areas of concern.

**Accomplishment:** To provide a safe and secure work environment, Pentagon Police Officers and the Contract Security Officers conduct RAM at various entry/exit locations. RAM alters our security profile, thus making it difficult for terrorists to plan and conduct destructive operations. All vehicles and personnel entering the facility are subject to random RAM inspections. Random checks assist our security division with positively identifying people and detecting unauthorized material such as weapons and/or other potentially dangerous items in their possession.

RAM is conducted to ensure employee safety is accomplished as quickly and efficiently as possible to minimize delays in the employees' busy schedules. Refusal to submit to a random inspection may result in confiscation of one's building pass and the denial of access to the building, loss of parking privileges, or possible administrative sanctions.

## **ONR – Operations Security (OPSEC)**

**Internal Control Reporting Category:** Security

**Description of the Issue:** OPSEC remains pivotal to enabling efforts to deter aggression, sustain operational readiness, and prosecute the global war on terrorism. Individuals have an inherent responsibility to evaluate information posted on unclassified official websites and adopt good OPSEC practices.

**Accomplishment:** The security team has integrated OPSEC into all organizational plans and activities. Staff and supporting organizations ensure OPSEC is appropriately incorporated in all SOPs, Operation Plans, Concept Plans, Concept of Operations, Operational Orders, Exercise Plans, and Program Protection Plans to ensure consistent control of critical information. Applicable contracts, Statement of Work, and Requests for Proposals contain specific statements or requirements that address security criteria for protecting critical information and OPSEC indicators.

Formal OPSEC training for assigned PMs and Department Coordinators was accomplished through in-depth training designed to ensure proper management and execution of organizational OPSEC programs. The OPSEC awareness training was delivered in a web-based format. This computer-based training, which includes built-in quizzes, is centrally loaded on ONR's intranet and made accessible to all employees with a tracking module for accountability.

In addition, ONR focuses its effort to combat Trash Intelligence by utilizing cross-cut shredders to make ensure critical information is not exposed before being delivered as recycle or trash.

Since the implementation of OPSEC, ONR has been able to prevent information from being distributed that can potentially disrupt Science and Technology platforms that support our military operations. ONR's mission statement is practicing good OPSEC is a responsibility that is shared by all as we daily work with operationally and personally identifiable sensitive information.

## **Deputy Chief of Naval Operations (DCNO), Warfare Systems (N9) – OPNAV Realignment Lessons Learned**

**Internal Control Reporting Category:** Comptroller and Resource Management; and Personnel and Organizational Management

**Description of the Issue:** The OPNAV Staff conducted an organizational realignment in March 2012. This realignment was intended to better balance 3-star workload, position OPNAV for the emerging fiscal environment, unify accountability for vertically integrated platform wholeness, consolidate trade space decision authority at the lowest practical level, unify and strengthen analysis and assessment and enable more effective engagement with Office of the Under Secretary of Defense (OUSD) and ASN (RD&A).

This effort was intended to develop an OPNAV-wide lessons learned one year after executing the realignment to assess the effectiveness of the realignment, capture any recommended realignment adjustments, and identify other seams, issues, etc. that have arisen. The goal was to inform POM-16 development and planning.

**Accomplishment:** The lessons learned scope focused on the following areas (1) requirements, assessment and analysis, (2) functions and resources, and (3) workforce and workload. An OPNAV-wide working group formed and met regularly between February-May 2013 to collect, develop and present OPNAV leadership with lessons learned and options. The following issues were decided at the 3-star level or forwarded to the CNO for decision:

- Special Programs alignment remained aligned under N8, but modification to funding business rules.
- OPNAV PPBE integration and timing would remain the same.
- Baseline Assessment Memorandum structure changed to an iterative approach which provides information when it is available to improve Resource Sponsor program builds.
- Whether to modify resource sponsorship of aviation resources.
- Whether to modify resource sponsorship of undersea dominance resources.

## **2. Maintain Warfighter Readiness**

### **BUPERS – Initiation of 24-Month/24-Month Tours for Division Officers**

**Internal Control Reporting Category:** Force Readiness

**Description of the Issue:** A review of feedback from COs, executive officers, department heads, and division officers showed a desire to lengthen 2<sup>nd</sup> tour division officer tours in order to provide more experience and stability at afloat commands and staffs.

**Accomplishment:** Standard 1<sup>st</sup> tour division officer tour length was shortened from 30 months to 24 months, and the 2<sup>nd</sup> tour division officer tour length was extended from 18 months to 24 months. The modification reduced training costs for 2<sup>nd</sup> tour division officers by reducing the overall demand signal. Savings efficiencies were offset by the creation of additional 2<sup>nd</sup> tour division officer billets (exact billets are dependent upon ship class), which increased ship combat readiness and provided sailors with senior leadership experience in their respective wardrooms. There was a net savings of \$35,296. In addition, the intangible value of having additional 2<sup>nd</sup> tour division officers aboard each ship.

## **DON/AA – Automatic Declassification Program**

**Internal Control Reporting Category:** Security

**Description of the Issue:** Potential inability to be in compliance with Executive Order (EO) 13526 requirements.

**Accomplishment:** DON/AA's Directives and Records Management Division (DRMD) was given the responsibility to manage the DON's Automatic Declassification Program; therefore, the following actions were taken:

- Secured declassification funding for reviewers to satisfy the Kyl-Lott review deadline.
- Secured funding for a supporting contract to reduce the backlog of 25 year old DON records that required a declassification review.
- Conducted a DON-wide workshop to address declassification issues, roles, and responsibilities.
- Issued an Information Security Oversight Office (ISOO) manual approved by the SECNAV to streamline the process and improve the accuracy of the declassification reviews; hired a declassification PM.
- Worked with ISOO to develop a pilot audit of DON declassification activities.

DON/AA's DRMD is on schedule to complete its Kyl-Lott review of over 100 million pages prior to the closing of FY 2013. To be in compliance with EO 13526 the DON's declassification review work will commence August 2013, which is one month after planned contract award date. The review site has been identified and is in the process of being configured.

## **Marine Corps Administration and Resource Management Division/Command of Control, Communications, and Computers (C4) – Information Assurance Vulnerability Assessments (IAVA) and Security Patching**

**Internal Control Reporting Category:** Security

**Description of the Issue:** IAVAs are issued regarding identified software and network related security vulnerabilities applicable to both the Secret Internet Protocol Router Network (SIPRNet) - classified and Non-classified Internet Protocol Router Network (NIPRNet) - unclassified. If identified vulnerabilities are not remediated in a responsive and thorough manner, significant holes in the network's security posture will remain uncorrected thereby increasing the risk that information processed by or stored within the network can be accessed, copied, or otherwise stolen by unauthorized personnel (hackers, foreign governments, cyber-terrorists, etc.). The loss or compromise of this data could harm national security and adversely impact the operations of all HQMC Staff Organizations. This issue is also germane to PII processed and stored within networks. PII is sensitive data and information regarding an individual, the loss of which could result in identity thefts and the potential loss of personally owned funds located in check, savings, and other financial accounts.

**Accomplishment:** During the period of 1 July 2012 to 30 June 2013, over 300 IAVAs were issued regarding software and network related security vulnerabilities applicable to both the SIPRNet (classified) and NIPRNet (unclassified) networks. As has been the trend over previous years, this marked yet another year in which the total number of IAVAs issued exceeded the number released in the previous 12-month period.

The Marine Corps Network Operations and Security Center (MCNOSC) receives IAVAs from CYBERCOM and, using the Network Operations (NetOps) reporting chain, issues the IAVAs to every Marine Air Ground Task Force Information Technology Support Center (MITSC) for action with a specified compliance reporting date. If a MITSC or subordinate Command/element cannot meet the compliancy report date requirements, a Plan of Action and Milestones (POA&M) is developed and submitted to the MCNOSC which reviews and either approves or rejects the POA&M. Upon completion of the IAVA, a compliancy report is submitted to the MCNOSC via the NetOps reporting chain.

The actions each MITSC takes regarding each of the over 300 IAVAs issued during the subject period include the following:

- Review the IAVA for applicability to both the SIPRNet and NIPRNet networks; Using Retina scan all network devices (desktops, laptops, servers, etc.) to identify which platforms require the IAVA patch.
- Using automated patching tools (BigFix, Windows Server Update Services, etc.) in an automated manner, push the required software patch to each vulnerable processing platform.
- Rescan the network to determine if the patch was applied to every applicable machine or platform.
- Repeat until:
  - The vulnerability has been remediated across the network, or
  - It is evident that manual intervention is needed to properly patch vulnerable machines on which the automated push was not successful.
- MITSC Marines and Civilian Marines will manually apply and load the required IAVA patch on all vulnerable platforms that could not be remediated using the automated tools.

- Once all machines have been patched, the networks are rescanned and a compliancy report is submitted via the NetOps reporting chain.

These actions are accomplished in accordance with Marine Corps Bulletin 5239, United States Marine Corps (USMC) IA Vulnerability Management Program. Despite the use of automated scanning and patching tools, executing IAVA remediation in a responsive and thorough manner is a labor-intensive operation that consumes a minimum of three Full-Time Equivalents (FTEs) each year.

The full execution of IAVA remediation provides numerous benefits to SIPRNet and NIPRNet users. These include but are not limited to the provisioning of a secure network operations environment, a significant decrease in the number of user hours lost due to the unavailability of compromised applications, systems, and processing platforms (desktops, laptops, and servers), and the saving of potentially millions of dollars should PII be compromised due to unauthorized data ex-filtration crimes.

Improvements: Manning at each of the MITSCs was insufficient with regard to having personnel trained in manual patching capabilities to support vulnerability remediation, especially in those cases when the use of automated tools failed to remediate an identified vulnerability. Corrective actions taken to eliminate this deficiency are listed below.

- Throughout the year, some MITSCs completed internal training for Marines on manual patching methodologies. MITSC-HQMC completed the first class in late June 2012. These trained Marines manually patched computers that had not been remediated using automated tools.
- In MITSC-West Pac, the remediation servers, i.e., anti-virus and IAVA patching, was discovered to be misconfigured under the NMCI construct, and was reconfigured to reduce vulnerabilities on individual systems by over 80% in the first week of the reconfiguration.

Also noted in the FY 2012 Internal Management Control Program report, MITSC-HQMC assumed oversight responsibilities for the security of the networks and applications supporting Marine Barracks (MBKS) Eighth & I operations. It soon became apparent that the previous MBKS Data Communications (MBKS S6) had submitted less than accurate IAVA compliancy reports. Corrective actions taken to eliminate this deficiency are listed below.

- Identified the problem's scope (massive and widespread)
- Trained MBKS personnel on the use of network scanning and automated remediation tools
- Trained MBKS S6 personnel on manual patching methodology
- Sent detachments of MITSC-HQMC Marines to work side-by-side with MBKS personnel in patching and remediating identified IAVA vulnerabilities
- Assisted the MBKS S6 in obtaining contracted surge support to support their IAVA patching and vulnerability remediation actions

During FY 2012, the Marine Corps authorized automated tool supporting remote IAVA vulnerability remediation reached its end-of-life and malfunctioned. This failure had seriously adverse impact on the Marine Corps mandated IAVA and network remediation actions. Since this tool (Hercules) was no longer an authorized automated remediation capability and since the replacement patching tool had not yet been made available, MITSC-HQMC, MITSC-East, MITSC-Res, and MITSC-West Pac obtained BigFix licenses with the permission of HQMC C4 and loaded that capability on every SIPRNet and non-NMCI NIPRNet computer and server. Licenses were also loaded to MBKS eighth & I platforms by MITSC-HQMC. This tool enabled the MITSCs to resume critical patching and IAVA remediation actions in a manner far faster and more thorough than was the case with Hercules. No un-remediated deficiencies were identified in the reporting period.

Cost Reduction and Avoidance:

- Lowered the risk of classified or unclassified data compromise and/or data loss
- Cost avoidance in the area of compromised PII
- Reduction of lost employee man-hours due to the unavailability of compromised applications, systems, and processing platforms (desktops, laptops, and servers)

**Marine Corps Plans Policies & Operations (PP&O) – Foreign Disclosure Report**

**Internal Control Reporting Category:** Intelligence

**Description of the Issue:** The foreign disclosure program has been analyzed over the last few years to ensure that Marines understand the basic processes and procedures to get information reviewed for disclosure to our allies and partners in a timely manner, and in accordance with National Disclosure Policy and the law. It was determined that disclosure authority should be delegated below Headquarters, Marine Corps and that proper foreign disclosure policy must be developed and implemented.

**Accomplishment:** Marine Corps Order (MCO) 5510.20B was published in December 2012, to update MCO 5510.20A. The new order provides further guidance regarding re-delegation of disclosure authority to all major USMC commands, updates obsolete guidance regarding foreign visits to USMC commands, and tasks Training and Education Command (TECOM) with development of foreign disclosure training for all Marines. Since the order was established, all major USMC commands have appointed Foreign Disclosure Officers (FDOs) on board, and clearer foreign visits guidance has been implemented.

Improvement: The USMC now has a team of FDOs who are able to make faster foreign disclosure decisions, improving commanders' ability to conduct foreign visits, exercises, security cooperation events and real world operations with our friends and allies. FDOs have trained thousands of Marines on foreign disclosure procedures and continue to work on innovative ways to ensure that all Marines eventually have a basic understanding of foreign disclosure policy. TECOM is working to develop foreign disclosure training, as funding permits.

**Cost Reduction & Avoidance:** Involving foreign disclosure officers in the early stages of exercise planning has resulted in more timely and efficient disclosure decisions and less confusion during combined military exercises. Having trained FDOs assigned to USMC units in theater has allowed almost instantaneous sharing of operational and intelligence information with our coalition allies. Commanders with FDOs onboard now have SMEs who can help them with day-to-day foreign disclosure guidance in support of mission accomplishment, allowing for quick decisions on sharing information with key foreign partners while ensuring that critical U.S. information is properly protected.

## **Marine Corps PP&O – Installation of Chemical Biological Radiological Nuclear and High-yield Explosive (CBRNE) Protection**

**Internal Control Reporting Category:** Force Readiness

**Description of the Issue:** Deployment of associated CBRNE capabilities for Integrated Protection (IP) and the funding required building and sustaining an enhanced IP capability. The focus of this capability will be on utilizing both military and civilian assets for mission assurance against a range of CBRNE threats, as well as how to make military assets available for civilian consequence management at the local, regional, and national levels.

**Accomplishment:** USMC Installation of Chemical Biological Radiological Nuclear and High-yield Explosive Integrated Protection Program (CBRNE IPP) critical tasks are identified in MCO 3440.8 (8 Jan 2008) and are in compliance with Deputy Secretary of Defense Memo (16 May 2007), SECNAVINST 3400.4 (8 Jun 2004), DoDI 3020.52 (18 May 2012), and Deputy Secretary of Defense (5 Sep 02). These publications specifically established installation-first response as a DoD requirement and directed CMC/CNO to implement provisions for CBRNE emergency response.

The USMC CBRNE IPP safeguards personnel and infrastructure critical to mission accomplishment. The scope of the USMC CBRNE IPP includes military personnel, DoD civilians, and other persons who work on the installations and family members assigned overseas or who work or live on our installations worldwide. The USMC CBRNE IPP efforts continue to evolve and are aligned with the National Response Framework, the National Incident Management System, and are consistent with existing policy, guidance and standards set forth primarily on DoDI 3020.52, and DoDI 6055.17, and other DoD issuances. The USMC CBRNE IPP enables USMC installations worldwide to prepare for, respond to, and recover from all types of threats and hazards, to include CBRNE. CBRNE IPP was initially scoped and funded to support a fixed sensor, collective protection, first responder, robust decision support system, mass notification, and operational readiness solution set (now known as Tier II).

Due to competing requirements and scarce resources, the program was downscaled to focus on the first responder, limited decision support system, mass notification, and operational readiness solution set (now known as Tier I). In December 2002, the Program Decision Memorandum (PDM) I allocated over \$ 1 billion for the procurement, enhancement and integration of Chemical, Biological, Radiological and Nuclear (CBRN) equipment to protect installations

against attacks with high-yield explosives. In 2005, PDM III reduced funding for procuring these CBRNE capabilities. In addition, the OUSD (AT&L), in coordination with the Chairman of the Joint Chiefs of Staff, were directed to develop and submit a revised plan for enhancing CBRNE IP. The Assistant to the Secretary of Defense for Nuclear and Chemical and Biological Defense and the Joint Requirements Office for CBRN Defense sponsored a thorough study of the CBRNE IP program. The CBRNE IP Study affirmed the existence of previously recognized gaps and identified the need for scalable capabilities based on DoD-wide standards and policy.

Improvements:

- Improved staffing of capabilities to installations
- Standardized training provided at installations
- Better qualified and trained first responders and civilian personnel
- Capabilities integration with the Marine Corps Enterprise Integration Plan and the Marine Corps Force Development System

Cost Reduction and Avoidance:

- Cost reduction for civilian personnel
- Cost reduction for contracts
- Avoidance of critical gaps in emergency preparedness and response support
- Avoidance of hiring unqualified personnel
- IT program with similar capabilities have been merged
- Modernizing equipment with same capability lowering life cycle cost

**3. Lead the Nation in Sustainable Energy**

Not applicable

**4. Promote Acquisition Excellence and Integrity**

**Assistant Secretary of the Navy (Energy, Installations, and Environment) (ASN (EI&E)) – Effective Management of Government Purchase and Travel Card Programs**

**Internal Control Reporting Category:** Procurement

**Description of the Issue:** Standardized internal controls to monitor purchases and travel authorizations were not consistently utilized to prevent against fraud and mismanagement of limited Command resources.

**Accomplishment:** Utilizing preventive and detective controls ASN (EI&E) staff standardized Purchase Request (PR) processes and procedures. Through monthly and semi-annual audits, the use of non-mandatory sources was reduced to less than 1% of funds obligated. Refinement of Internal Operating Procedures (IOPs) encouraged better understanding of internal controls and compliance procedures when using the government purchase card to procure goods and services. As a result, during DFAS' desk-top audit, the Command received the highest rating of

“acceptable” with no repeat findings or deficiencies. To remain abreast of changes in policies and procedures, the Agency Program Coordinators established monthly cardholder meetings to address issues that could result in design and control deficiencies. Travel cost audits were conducted monthly and quarterly to verify travelers' compliance with the Joint Travel Regulation. To comply with DTS separation of duties, permission levels and associated responsibilities were reviewed and validated for the responsibilities of Lead Defense Travel Administrator, Organizational Defense Travel Administrator, and Finance Defense Travel Administrator personnel, and personnel retaining levels above 0, 1, & 2 management roles, in accordance with Defense Travel Management Office DTS Roles and Permission Rules, was performed.

## **DON/AA – Refurbish Office Furniture**

**Internal Control Reporting Category:** Property Management

**Description of the Issue:** The DON issued an extensive amount of office furniture based on personnel requirements and office space; therefore, an opportunity existed for the DON to reduce funds allocated towards meeting the office furniture request.

**Accomplishment:** The DON can potentially save considerable funds in the current year and out years on the allocation of office furniture cost. To meet customer requirements in a timely and efficient manner, DON/AA's Facilities and Support Services Division setup a warehouse at the General Service Administration (GSA) facility in Springfield, VA for the purpose of storing serviceable furniture items. Service items are obtained from numerous sources to include GSA, Defense Reutilization Management Office, and DON-wide organizations that have either downsized or reorganized. The suggested office articles are repaired and stored for future use by DON organizations. For FY 2013 the storage and refurbishment initiative has created a cost saving of over \$500,000 in furniture costs.

## **Marine Corps C4 – Information Technology Procurement Request/Review Approval System (ITPRAS)**

**Internal Control Reporting Category:** IT

**Description of the Issue:** The IT Procurement Branch is charged with Installation, Operation, and Maintenance of the ITPRAS system as well as associated processes. ITPRAS is a C4 initiative. Originally intended to provide a means to review garrison related requests not in scope of the NMCI, ITPRAS has transformed into a full blown governance enforcement tool and is essential to the Director C4's role as the DON's Deputy CIO Marine Corps and his role as the IT Expenditure Approving Authority for the Marine Corps. As such the ITPRAS process helps to ensure the effective, efficient, and appropriately aligned funding of IT enabling capabilities in accordance with policy, guidance, strategy, and vision.

**Accomplishment:** HQMC C4 published Marine Administrative Message (MARADMIN) 375/11 IT Funding, Approval, and Procurement. This established the method, characteristics, and procedures on how to obtain IT to satisfy unit and organizational requirements. Further, in conjunction with DoD & DoD CIO C4 has implemented comprehensive reviews of IT equipment that may be subject to Data Center Consolidation.

This process allows better coordination to include but not limited to:

- Enforcement of IT policy, governance, vision, and strategy by ensuring all requests for IT are appropriately staffed and reviewed by relevant governance, security, tactical, enterprise, programmatic and fiscal stake holders for compliance.
- Better coordination, communication, and IT spending discipline.
- Better oversight on IT spending trends compared to IT spending plans and strategy.
- Better oversight on potential gaps in established policy.
- Data exchange between ITPRAS and PR Builder contracting system allowing for increased understanding between requested and actual IT spending.
- Developed a framework to plan for unknown but future sustainment costs.
- Ensured IT requests were reviewed for compliance with NDAA 2012 and Data Center Consolidation efforts.

Improvements: The following improvements, costs reductions, and avoidances are the results of these efforts:

- Improved oversight and accountability through information and data sharing with PR Builder.
- Improved software portfolio management.
- Improved metrics for spending analysis.
- Improved detection of erroneous or duplicative IT spending.
- Better data center identification and accountability.
- Better categorization of assets, software, and services.

Cost Reduction and Avoidance:

- Cost Reduction: ITPRAS helps safeguard that any given request for IT is checked against stakeholders to ensure that duplicative or unaligned IT spending does not take place.
- Cost Reduction: Ensuring IT items (under current enterprise agreements or reviewed for future enterprise agreements) are routed to programs of record or centrally managed enterprise efforts in order to leverage economies of scale.
- Cost Avoidance: For the current observed reporting period, April 2012 to April 2013, over \$94,449,693 in IT spending was disapproved for inefficient, unsound, or counter-policy/strategy reasons. For the prior 12 month period the cost avoidance totaled \$68,961,084.

Key advantages of ITPRAS is that it takes into account all relevant USMC policies by ensuring those identified or emergent stakeholders who require oversight of specific IT equipment, software, or services (and it is typically more than one stakeholder) can ensure that a request is

properly appraised in accordance with stakeholder policy and procedures. Additionally ITPRAS can capture not only technical reasons for approval disapproval but policy reasons as well.

## **Marine Corps Logistics Command (LOGCOM) – Total Procurement Package for Commercial Contracts**

**Internal Control Reporting Category:** Contract Administration

**Description of the Issue:** A process was needed to alleviate the bottleneck in the contracting process, expedite the obligation of funds, improve manpower efficiencies, and provide the LOGCOM Contracts Department with a Total Procurement Package prior to the beginning of the next FY for the current and four year out requirements.

**Accomplishment:** The Maintenance Management Center (MMC) Maintenance Services Branch developed a contracting package checklist that clearly outlines the repair requirement for each commercially sourced Weapon System. The contracting package checklist identifies what is required in the Total Procurement Package. The Total Procurement Package includes the Statement of Work, Justification and Approval for use of other than full and open competition (if sole source), the Independent Government Estimate, the Contracts Data Requirements List, Data Item Description, and template for Monthly Production Report.

For contracts equal to or above \$150,000, the MMC requests a basic contract for current year with options up to four out-years for all commercial requirements from Weapon Systems Management Center (WSMC). If a basic contract with option years is signed by LOGCOM and the original equipment manufacturers, new contracts for the same items will not be required during that five-year period. For requirements under \$150,000, individual purchase orders are being developed due to faster implementation of award.

In the future, for all commercial workload with option years, the only information required for contracts will be quantities from the Enterprise Lifecycle Maintenance Planning (ELMP) conference and a new PR Builder as Total Procurement Packages have already been provided for the basic requirement.

MMC representatives conducted training with Weapon System Support Managers and PMs formally on two occasions, 07 November and 13 December 2012. Training outlines and syllabi were documented. Informal individual training was performed on a weekly basis regarding the documents/data required to be included in the Total Procurement Package. Prior to FY 2014, the MMC will provide WSMC with a Contracting Package Checklist for each new repair requirement from the August ELMP Conference.

The Commercial Workload Process was published as an International Organization for Standardization procedure specific for MMC use. The MMC maintains an electronic tool called Commercial Tracker via an Excel spreadsheet developed to track the Commercial Workload process from initiation of requirement to contract award with all intermediate steps.

Improvements:

- Bottleneck in the contracting process is alleviated
- Funds obligation is expedited more rapidly
- Improvement in manpower efficiencies
- LOGCOM Contracts Department is provided with a Total Procurement Package prior to the beginning of the next FY
- No need to create new contracts each year
- Reductions in customer wait time

Cost Reduction and Avoidance: Developing basic contracts with option years eliminates the need to create new contracts each year. Administrative lead-time and customer wait time are reduced, and the cost of repair is stabilized.

**5. Dominate in Unmanned Systems**

Not applicable

**6. Drive Innovative Enterprise Transformation**

**ASN (FM&C) – DON GF Civilian Pay (CIVPAY)**

**Internal Control Reporting Category:** Hire-to-Retire

**Description of the Issue:** There were issues with timely and accurate payments to employees that could have serious impacts including defaults on debt, damaged credit ratings, and impact on the wellbeing of employees and their dependents.

**Accomplishment:** Management asserted that the GF CIVPAY business segment, which it has defined as those processes, procedures, transactions, and accounting events, which have a direct or important indirect impact on the SBR, related to the hiring of civilian personnel, payroll processing and related benefits for those personnel, and eventual separation of employment was audit ready. To remediate identified issues and establish that the GF CIVPAY business segment is audit ready, the DON identified relevant financial statement assertions and related financial reporting objectives. Management designed and implemented effective control activities that meet all KCOs relevant to the DON GF CIVPAY process in accordance with the OUSD (C) FIAR Guidance. For each control activity related to the KCOs, management can provide documentation demonstrating effective operation of the controls. The documentation is readily available for review, for randomly-selected samples in accordance with OUSD (C) FIAR Guidance.

On 18 March 2013 an Independent Public Accounting Firm (IPA) examination of the CIVPAY resulted in a clean examination opinion. The examinations were conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and GAS. The IPA concluded there is an effective combination of control activities and sufficient supporting documentation exist to support

the assertion that DON CIVPAY processes, procedures, transactions, and accounting events. The DON has designed and implemented a sustainment framework for the CIVPAY business segment.

### **ASN (FM&C) – DON GF Transportation of People (ToP)**

**Internal Control Reporting Category:** Procure-to-Pay

**Description of the Issue:** Insufficient controls with respect to a standardized DON-wide approving official validation process, travel approvals by DD 577 appointed officials, and instances of travel funds not being expensed per the appropriation led to a risk that DON overstates travel related disbursements on its financial statements by including invalid/unauthorized transactions and incidents of travel fraud.

**Accomplishment:** Management asserted that the DON GF ToP business segment, which it has defined as those processes, procedures, transactions, and accounting events, which have a direct or important indirect impact on the SBR financial statement, related to Temporary Duty travel processed in the DTS, was audit ready. To remediate identified issues and establish that the GF ToP business segment is audit ready, the DON identified relevant financial statement assertions and related financial reporting objectives. Management designed and implemented effective control activities that meet all KCOs relevant to the DON GF ToP process in accordance with the OUSD (C) FIAR Guidance. For each control activity related to the KCOs, management can provide documentation demonstrating the effective operations of the controls. The documentation is readily available for review, for randomly-selected samples in accordance with FIAR Guidance.

On 18 March 2013, an IPA examination of the ToP resulted in a clean examination opinion. The examinations were conducted in accordance with attestation standards established by the AICPA and GAS. The IPA concluded there is an effective combination of control activities and sufficient supporting documentation exist to support the assertion that DON ToP processes, procedures, transactions, and accounting events. The DON has designed and implemented a sustainment framework for the ToP business segment.

### **ASN (FM&C) – DON Fund Balance with Treasury (FBwT)**

**Internal Control Reporting Category:** Budget-to-Report

**Description of the Issue:** The DON control environment surrounding the recording of collection and disbursement transactions was not designed and/or operating effectively to mitigate the risk of material misstatements to the financial statements. The following control weaknesses were identified in the collections and disbursements business process: lack of controls to prevent problem disbursements and no periodic reconciliation of FBwT.

**Accomplishment:** Management asserted that the DON FBwT process is defined as those processes, procedures, transactions, and accounting events, which have a direct or important indirect impact on the Funds Receipt and Distribution Schedule and the FBwT Schedule. The FBwT process is audit ready and currently undergoing pre-examination testing in anticipation of an IPA audit examination. To remediate identified issues and establish that the FBwT business segment is audit ready, the DON identified relevant financial statement assertions and related financial reporting objectives. The DON performed KSD and internal control testing in accordance with the sample sizes and acceptable deviations described in the OUSD (C) FIAR Guidance to determine whether sufficient evidentiary matter exists and whether control are operating effectively to meet these financial reporting objectives. In instances where controls were not operating effectively, management placed additional reliance on KSD testing to meet financial reporting objectives.

### **ASN (FM&C) – DON Military Pay (MILPAY)**

**Internal Control Reporting Category:** Hire-to-Retire

**Description of the Issue:** KSDs to substantiate MILPAY transactions were not readily available during initial internal controls testing and substantive procedures. The associated risks led to situations wherein unauthorized/invalid pay and allowances, incorrect obligation/disbursement amounts or incorrect LOAs were recorded in the GL, and transactions were recorded in the wrong period in the GL.

**Accomplishment:** Management asserted that the DON MILPAY business segment, which it has defined as those processes, procedures, transactions, and accounting events, which have a direct or important indirect impact on the SBR financial statement is audit ready. To remediate identified issues and establish that the MILPAY business segment was audit ready, the DON identified relevant financial statement assertions and related financial reporting objectives. The DON identified the MILPAY SMEs and POCs, established a KSD Advisory Group, and created a robust MILPAY KSD matrix to outline MILPAY KSD requirements.

The DON executed CAPs to remediate the risks and weaknesses identified during initial testing and performed two rounds of internal controls and substantive testing to include the request, receipt, and validation of approximately 2,200 sample items. Testing sample sizes and acceptable deviations were in accordance with the prescribed OUSD (C) FIAR Guidance dated March 2013 that demonstrated sufficient evidentiary matter and controls are in place to support that controls were operating effectively to meet financial reporting objectives. In instances where controls were not operating effectively, management executed 26 CAPs and placed greater reliance on KSD testing to meet financial reporting objectives. The DON developed business process descriptions and process flow maps to ensure that daily operations were documented and supported by stakeholders. In addition, the DON developed and performed control reconciliations and analyses that supported the completeness of the transaction universe for the MILPAY business segment.

## **ASN (FM&C) – DON Reimbursable Work Order – Performer (RWO-P)**

### **Internal Control Reporting Category: Order-to-Cash**

**Description of the Issue:** The DON control environment was not designed and/or operating effectively to ensure the following undelivered Reimbursable Work Orders (RWOs) and accounts receivable represented valid transactions, manually entered transactions were valid or accurate, and reimbursable billings or collections were processed completely and accurately

**Accomplishment:** Management asserted that the DON RWO-P business segment is defined as those processes, procedures, transactions, and accounting events, which have a direct or important indirect impact on the on the Schedule of RWO-P Activity. The RWO-P business segment is audit ready and currently undergoing pre-examination testing in anticipation of an IPA audit examination. To remediate identified issues and establish that the RWO-P business segment is audit ready, the DON identified relevant financial statement assertions and related financial reporting objectives. The DON performed KSD and internal control testing in accordance with the sample sizes and acceptable deviations described in the OUSD (C) FIAR Guidance to determine whether sufficient evidentiary matter exists and whether control are operating effectively to meet these financial reporting objectives. In instances where controls were not operating effectively, management placed additional reliance on KSD testing to meet financial reporting objectives.

## **ASN (FM&C) – DON Reimbursable Work Order – Grantor (RWO-G)**

### **Internal Control Reporting Category: Procure-to-Pay**

**Description of the Issue:** The DON's control environment was not designed and/or operating effectively to ensure DD 577 appointed officials were reviewing and approving RWOs, obligations and disbursements were recorded complete and accurately, recorded reimbursable agreements represented a bona fide need, and manually entered transactions were valid and accurate.

**Accomplishment:** Management asserted that the DON RWO-G business segment is defined as those processes, procedures, transactions, and accounting events, which have a direct or important indirect impact on the on the Schedule of RWO-G Activity. The RWO-G business segment is currently audit ready and undergoing pre-examination testing in anticipation of an IPA audit examination. To remediate identified issues and establish that the RWO-G business segment is audit ready, the DON identified relevant financial statement assertions and related financial reporting objectives. The DON performed KSD and internal control testing in accordance with the sample sizes and acceptable deviations described in the OUSD (C) FIAR Guidance to determine whether sufficient evidentiary matter exists and whether controls are operating effectively to meet these financial reporting objectives. In instances where controls were not operating effectively, management placed additional reliance on KSD testing to meet financial reporting objectives.

## **ASN (FM&C) – Schedule of Budgetary Activity (SBA) Financial Statement Line Items**

**Internal Control Reporting Category:** Budget-to-Report

**Description of the Issue:** There were opportunities to demonstrate completeness of financial transactions (i.e. counts and amounts) and compiling the evidential matter to support traceability of these transactions. This is an extensive effort to ensure each FIAR business segment reports accurate and timely to support audit readiness and sustainability.

**Accomplishment:** DASN (FO) performed several first time analytics including the quantitative drilldowns, GL detail transactions to trial balance reconciliations, traceability of feeder system transactions to GL postings, complex sampling, and validations of system posting logic.

- The quantitative drilldown analyses enabled the DON to identify material business segments by evaluating the transactions that make up the SBA financial statement line items. This involved mapping over 30 million financial transactions across the DON's main GLs to their appropriate business segment.
- The Navy has made significant progress towards reconciling feeder (sub-ledger) details to the GLs. Completion of this effort relied upon collaboration across commands and service providers regarding methodology and resolving variances and remediation plans.
- Feeder system to GL reconciliations has been completed, ensuring complete populations from which complex sampling methodologies are employed to select samples to support controls and substantive testing. Efforts have led to reducing unknown variances to below 1% of the total count and amount.

All analyses performed have been developed and documented to enable the DON to execute on an automated and recurring basis, benefitting sustainment and building efficiency for future assertions.

## **ASN (FM&C) – Federal Information System Controls Audit Manual (FISCAM)**

**Internal Control Reporting Category:** IT

**Description of the Issue:** In the prior period, the DON did not complete an assessment of effectiveness of the ICOFS; therefore, the DON provided no assurance that controls were in place to comply with FFMIA and OMB Circular A-127, Financial Management Systems. The DON understands the importance that system internal controls have on validating financial statements. In addition, the DON noted the following IT audit readiness challenges:

- System ownership – A larger number of the enterprise level systems are maintained by a centralized BSO vice the 'Functional/Operational' BSO, which requires significant coordination to fully assess general and application level controls. This also creates

ownership and prioritization challenges associated with the development and implementation of corrective actions.

- Entity level policy -DON-wide audit readiness system policy is lacking specificity defining a financial reporting system, methodology for scoping, system prioritization, and FISCAM requirements to support financial audits. This may lead to an inability to demonstrate an understanding of the IT environment to an auditor and/or an inconsistent FISCAM approach.

**Accomplishment:** The DON's IT systems are currently undergoing a thorough evaluation of internal controls using DoD's prescribed FIAR methodology to ensure compliance with OMB Circular A-127 policies and standards for IT audit readiness related controls. In addition, the DON is utilizing the SSAE No. 16 to report on information system controls at service provider organizations (DLA, DCMA, and DFAS).

In support of ICOFS the DON's FY 2013 initiative was to assess internal and service provider IT controls that have a direct financial impact on the DON's ability to sustain an audit ready environment. An estimated 150 financial systems were identified during the current reporting period. Approximately 70 systems are owned by the DON with the remaining systems being owned by the DON's service provider organizations to include DLA, DFAS, and DCMA. The DON's internally owned and operated systems are undergoing independent and self-assessments to address common IT deficiencies to discover potential vulnerabilities in the following categories: access controls, configuration management, audit and accountability, and identification and authentication. In conjunction with DON CIO, guidance is being established to enforce new policies to correct identified deficiencies.

Service providers systems are undergoing a SSAE No. 16 review. The DON continues to collaborate with service providers to ensure effective and efficient controls are in place for General and Application Controls. For example, DASN (FO) conducts recurring meetings with service providers and DON Senior Executives from each BSO to discuss, track, and monitor actions deliverables identified during SSAE No. 16 reviews. Service providers and the DON are aware it is imperative to the DON and ultimately DoD that we continue collaborating to achieve an audit ready and sustainable financial environment.

### **ASN (FM&C) – DON Managers' Internal Control (MIC) Major Assessable Unit (MAU) Site Visits**

**Internal Control Reporting Category:** Communication

**Description of the Issue:** The DASN (FO) is responsible for the coordination and oversight of the DON's MICP. Evaluation of the current DON MICP was necessary for identifying areas to be improved and strengthening the DON's internal control assessments.

**Accomplishment:** The DASN (FO) performed site visits for the MICP. The site visit's objective was to refresh the DON's assessment of ICONO, ICOFR, and ICOFS related functions. Further, in anticipation of the Office of the Secretary of Defense's future

compliance assessments, DASN (FO) took a proactive approach to ensure the DON was adhering to statutory and regulatory requirements and guidance. The approach was an open-ended conversation to evaluate the current MIC environment along with a compliance review. It was an opportunity for MAUs to provide insight to the operational effectiveness and efficiency of their programs. In addition, MAUs identified areas that need further DON's collaboration and improvement.

### **ASN (FM&C) – Managers' Internal Control (MIC) Newsletter**

**Internal Control Reporting Category:** Communication

**Description of the Issue:** The DASN (FO) is responsible for the coordination and oversight of the DON's MICP. The MICP will support the DON's progress towards achieving DoD's FY 2014 auditability goal. The DON needs to continue to heighten communicate with stakeholders to provide situational awareness of how the implementation of an active MICP can benefit and strengthen internal controls.

**Accomplishment:** The DON published an inaugural MIC newsletter to raise DON MIC awareness and the benefits that the MICP has on internal and external stakeholder's ability to support auditable and sustainable core business processes and procedures as mandated by Congress. This newsletter will periodically communicate the toolsets, methodologies, and guidance available to the DON to enhance the capabilities of MIC PMs.

The newsletter highlighted the following areas to garner heightened attention:

- MICP
- DON's annual SOA
- Certification statement
- MIC evaluation checklist
- MIC-CPI synergy
- Training
- Timelines supporting upcoming tasks and events

### **ASN (FM&C) – Managers' Internal Control (MIC) – Continuous Process Improvement (CPI) Synergy**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** The DASN (FO) in coordination with Office of Deputy Under Secretary of the Navy/Deputy Chief Management Office facilitated a RIE to align MIC and CPI resources in order to:

- Infuse CPI tools, techniques, resources and discipline into the MICP in order to improve execution and Command level internal control.

- Identify areas of opportunity for potential CPI projects leading to improved processes likely to have the greatest impact on the Command level risk mitigation, improvements and performance.
- Improve DON's ability to self-identify, mitigate, and correct deficiencies that potentially have an adverse impact on the DON.

The RIE identified optional CPI tools that could be utilized as well as areas where communication could be strengthened. Specific areas for strengthening DON MIC's community of practice communication include: establishing a SharePoint site, utilizing DCO for informational sessions and training, and updating the DASN (FO) website on a continuous basis.

### **ASN (FM&C) – DON Managers’ Internal Control (MIC) Evaluation Checklist**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** MAU’s MIC coordinators requested additional tools to guide their internal control assessments. MIC stakeholders were searching for core business areas to perform evaluations to assist in the process of assessing and mitigating control risks.

**Accomplishment:** The DASN (FO) prepared a DON MIC Evaluation Checklist to facilitate the implementation of control self-assessments and utilize it as a practical toolset. The intent of the evaluation checklist was to provide DON’s organizations with core DON focused areas that can be independently assessed without sole reliance on independent audits and inspections. The evaluation checklist included suggested core business functions to be considered during the annual MIC certification statement. The checklists will serve as a baseline tool for the 19 MAUs to report their certification statements on non-financial operations that are ultimately included in the annual DON SOA.

### **ASN (FM&C) – DON Managers’ Internal Control (MIC) Coordinator and Alternate Appointment Letters**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** Onsite MAU inspections demonstrated non-compliance with SECNAVINST 5200.35F. Specifically each DON MAU and their immediate subordinates shall appoint an organizational MIC coordinator and alternate responsible for the administration and coordination of the MICP to align with the reporting requirements of the FMFIA.

**Accomplishment:** The DASN (FO) formulated an appointment letter to formalize and standardize the process by requiring DON MIC coordinators and alternates to adhere to applicable laws, regulations, and administrative policies. DASN (FO) obtained appointment letters from 17 of the 19 MAUs, with the two outstanding MAUs being granted waivers due

to a hiring freeze and attrition (retirement). MAUs shall retain the letters in conjunction with DASN (FO) to ensure an audit ready environment. Periodic checks will be conducted to ensure sustainability.

### **ASN (FM&C) – Audit Readiness Assessable Unit Workshops**

**Internal Control Reporting Category:** Communication

**Description of the Issue:** To implement the DON's SBR FIAR initiatives by FY 2014 it is essential to provide robust communication with internal and external stakeholders. Creative communication enhances acceptance of supporting information is incorporated in a timely and accurate manner.

**Accomplishment:** The DASN (FO) conducted workshop breakout sessions for each of the FIAR identified business segments that were led by applicable PMs. The sessions included BSOs and service provider key stakeholders and personnel with supplemental information to support the DON's audit readiness initiatives. The main topics for discussion included the following areas: best practices and lesson learned, scope, testing schedules and expectations, tools and guidance (testing workbooks, KSD, testing attributes, testing documentation, audit readiness center tool), and understanding success. The sessions provided an open forum for stakeholders to ask additional questions and express concerns on audit readiness and the impact each of the business segments has on the DON's ability to achieve an audit ready and sustainable financial environment.

For example, the DON Audit Response Center (ARC) was introduced to stakeholders as a centralized repository to provide timely integrated audit responses and document retrieval in accordance with DoD IG, IPA, NAVAUDSVC, and GAO audit and attestation engagement standards. The tool provides training, financial management policies and procedures, KSD matrices, and SOPs to support business segment stakeholders (internal and external). The ARC structure is consistent with audit requirements and based upon lessons learned from USMC audit readiness efforts.

### **ASN (FM&C) – Cash Reconciliation Issues in Navy Enterprise Resource Planning (ERP)**

**Internal Control Reporting Category:** IT

**Description of the Issue:** The cash reconciliation workgroup continues to identify Navy ERP irregularities in processing cash. As issues arise, the working group performs root cause analysis and proposes recommendations to ensure proper accounting treatment and recording of financial transactions. The working group has identified and resolved numerous Navy ERP issues, with resolutions ranging from Engineering Change Proposals, internal HEAT tickets/defect fixes, policy and business process changes.

**Accomplishment:** Actions taken to resolve identified cash issues has greatly advanced the

DON's goal of achieving audit readiness. DFAS' Business Activity Monitoring (BAM) and Cash Receipt Ticker (CRT) tools are designed to capture and identify differences between the Defense Cash Accountability System (DCAS) and Navy ERP in support of FBwT assertion. Navy ERP cash balances and DFAS BAM and CRT tools have achieved acceptable limits for FBwT's audit assertion. SPAWAR for example is currently at a reconciliation rate of 95%, but is able to support all remaining unmatched transactions with an exception of .5%. DFAS's success is measured by the reconciliation rate as a percentage of transactions and dollars between Navy ERP and BAM. Naval Air Systems Command (NAVAIR), NAVSEA, NAVSUP, and SPAWAR reported transaction reconciliation rates over 90%, while ONR and Strategic Systems Programs (SSP) 86.4% and 81% respectively. Unmatched balances are primarily attributable to in-transit (timing differences), internal Navy ERP unmatched transactions, and journal voucher adjustments.

The working group continues to monitor the implementation and refinement of the DFAS BAM and CRT tools to ensure Navy ERP accurately posts transactions from the DFAS tools. In addition, DFAS has all GF activities in BAM and is working towards including all Working Capital Fund (WCF) commands in CRT.

## **ASN (FM&C) – Navy Supply (NAVSUP) Systems Command Balance Validation**

### **Internal Control Reporting Category: IT**

**Description of the Issue:** The DON and DFAS require validation of all legacy systems GL ending balances against Navy ERP's GL beginning balances. DoD Financial Management Regulation (FMR) Volume 6A, Chapter 2, Section 020202, B.6 states: "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". During date conversion from a legacy environment to Navy ERP there is a robust balance validation process to support auditability and audit readiness.

DASN (FO) validation team undertook the task of conducting an independent validation of NAVSUP's eight data conversions. The initial efforts focused on converting legacy systems inventory to Navy ERP, but the inventory valuation methodology changed significantly; therefore, a validation between legacy ending balances and Navy ERP beginning balances could not be achieved. The alternative method to confirm Navy ERP balances is to validate that the beginning Moving Average Cost (MAC) value in Navy ERP was calculated correctly from the legacy system price for that record.

The NAVSUP validations focus on three high-level validation points:

- Confirm that a one-to-one record count match exists between the legacy systems and Navy ERP. A one-to-one record count will confirm that a record in legacy is in Navy ERP and a record in Navy ERP is in legacy.
- Confirm that the beginning MAC value for a record is equal to the legacy replacement

price (net price for C004 Open Sales Orders).

- Confirm that a record was converted to the correct Navy ERP USSGL account. A document number represents an individual record. In some cases, a single record had multiple lines, which resulted in large quantities of raw data.

**Accomplishment:** DASN (FO) and NAVSUP validation teams in conjunction with DFAS executed six months of mock validation efforts and reviewed variances between the legacy records and corresponding Navy ERP records. The DASN (FO) Validation Team utilized mock data conversions as the prescribed method to identify and explain variances for pre and final validation. This process has been used for all succeeding NAVSUP conversions. During the reporting period Go Live data conversions were implemented at the following sites: Sigonella, Jacksonville, San Diego, Puget Sound, and Yokosuka. The cumulative site record count for the data conversion was approximately 279K. DASN (FO)'s SAP Business Warehouse (BW) tool is the primarily used by the validation team, which provides customized query report options. Queries are created in the Business Explorer (BEx) Analyzer that utilizes Microsoft Excel as the foundation for the report. The tool has three key data components: Navy ERP balance, legacy balance, and delta (difference between Navy ERP balance and legacy balance).

Throughout the NAVSUP conversions, the DASN (FO) Validation Team used a Metrics Dashboard to report progress on the independent validation. This dashboard consisted of a graphical breakout of NAVSUP's total number of records, the number accounted for, the number unaccounted for, and any issues encountered during the validation.

The DASN (FO) Validation Team reviewed every record value and documented results with a Pass rating (1) when the values in the legacy system and Navy ERP initially matched, (2) when differences were explained through verifiable rationale by the NAVSUP's Financial Validation Team, or (3) when the difference was deemed immaterial. A Fail rating documented record values for which the record values between the legacy system and Navy ERP did not match and were unexplained. In most cases, these records are corrected either during Catch Up or after Full Operational Tempo.

At the conclusion of the independent validation for NAVSUP's Regional Go Live Two conversion, the DASN (FO) Validation Team was able to validate that 100% of the values in legacy converted to Navy ERP accurately. The DASN (FO) Validation Team rates this conversion as passed.

At the conclusion of the independent validation for NAVSUP's Regional Go Live Three conversion, the DASN (FO) Validation Team was able to validate that 100% of the values in legacy converted to Navy ERP accurately. The DASN (FO) Validation Team rates this conversion as passed.

Similarly, at the conclusion of the independent validation for NAVSUP's Regional Go Live Four conversion, the DASN (FO) Validation Team was able to validate that 100% of the values in legacy converted to Navy ERP accurately. The DASN (FO) Validation Team rates this conversion as passed.

## **ASN (FM&C) – Portfolio Management of Financial Management Systems - Systems Metrics**

### **Internal Control Reporting Category: IT**

**Description of the Issue:** The DASN (FO) oversees the DON financial management Automated Information Systems (AIS) portfolio. One of DASN (FO)'s major challenges is to orchestrate the compliance of the DON commands to various AIS requirements. These requirements include (1) identification and completion of the DoD IT Portfolio Repository-DON (DITPR-DON), (2) delineation of financial management AIS in the DON's IT budget, and (3) ensuring that the financial management IT systems have met Federal Information Security Management Act (FISMA) requirements.

**Accomplishment:** DASN (FO) has developed a number of monthly metrics to monitor DON financial management AIS compliance with DITPR-DON registration, Budget Delineation, and FISMA compliance. These metrics, with supporting charts, highlight the status, per Command, in achieving required compliance levels. These metrics assist the DON commands to focus in on non-compliant systems and complete reporting requirements.

## **ASN (FM&C) – Strategic Systems Program (SSP) Validation**

### **Internal Control Reporting Category: IT**

**Description of the Issue:** The Office of the ASN (FM&C) (OASN (FM&C)) DASN (FO) and the DFAS require validation of all legacy systems GL ending balances against Navy ERP's GL beginning balances. This action stems from a key DoD FMR requirement that states, "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" (DoD Volume 6A, Chapter 2, Section 020202, 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 NAVAIR initially implemented SAP in 2002, both DASN (FO) and DFAS instituted this validation effort as part of the overall compliance methodology for the deployment of Navy ERP across all commands.

The SSP Command's sites began mock conversion activities in the spring of 2012. During this time, and throughout Go Live, the DASN (FO) Validation Team worked with DFAS and the SSP Financial Validation Team to compare the STARS-FL and Standard Accounting and Reporting System-Headquarters Claimant Module (STARS-HCM) GL balances against the GL balances in Navy ERP, and to perform Treasury Tie Point analysis.

**Accomplishment:** The final independent validation followed approximately eight months (April 2012-November 2012) of mock validation efforts in which the DASN (FO) Validation Team worked with DFAS and the SSP Financial Validation Team to review GL variances between the legacy systems (STARS-FL and STARS-HCM) and Navy ERP. Using data from two full mock data conversions (Mock 3 and Cutover Practice), the DASN (FO) Validation Team started the

process of identifying and reconciling variances prior to the final validation. Once the Go Live data was available, the DASN (FO) Validation Team entered comments on previously identified variances, identified new variances, and then placed all variances into the appropriate bucket with explanations.

This accomplishment focuses on the conversion of SSP's seven sites: Strategic Systems Programs Headquarters; Strategic Weapons Facility Pacific; Program Management Officer, SSP (PMOSSP) Flight Systems; Strategic Weapons Facility Atlantic; Naval Ordnance Test Unit; PMOSSP Shipboard Systems; and SSP United Kingdom. The independent validation consisted of reviewing 579 trial balances, 11 appropriations, and 7,701 GL accounts.

The SAP BW tool, created by DASN (FO), is the main validation tool used by the DASN (FO) Validation Team. It uses a customized query designed for the validation efforts. The query was created in the BEx Analyzer and uses Microsoft Excel as the foundation for the report. The tool has three key data components: Navy ERP balance, legacy balance, and delta (difference between Navy ERP balance and legacy balance). Many variables are available to create a customized report, which displays these three key components.

Throughout the SSP conversion, the DASN (FO) Validation Team used a Metrics Dashboard to report progress on the independent validation. This dashboard uses a graphical breakout of each SSP site's total number of GL accounts, the number of accounts initially balanced, and the number of accounts currently In Review for each site.

The DASN (FO) Validation Team reviewed every GL account balance and documented results via a Pass rating when the GL balances between the legacy systems and Navy ERP (1) initially matched, (2) when differences were explained through verifiable rationale by SSP's Financial Validation Team, or (3) when the difference was deemed immaterial. In accordance with Naval Audit Service guidance, the DASN (FO)/DFAS materiality threshold is 1% of the appropriation's Total Obligation Authority (TOA), obtained with the assistance of the ASN (FM&C) Office of Budget (FMB). Any unexplained or unverified variance that fell below 1% of the TOA was deemed immaterial. A Fail rating documents GL accounts for which the GL balances between the legacy system and Navy ERP did not match and were unexplained.

Treasury Tie Point analysis was performed during the SSP conversion. Treasury Tie Point variances were caused by business process changes, conversion-related changes or Navy ERP posting logic.

At the conclusion of the independent validation for SSP's conversion, the DASN (FO) Validation Team was able to validate that 100% or 7,701 GL accounts, of the values in legacy converted to Navy ERP accurately. Overall, the DASN (FO) Validation Team rates this conversion as passed.

## **ASN (FM&C) – Improper Payments Sampling Plan for Navy Enterprise Resource Planning (ERP)**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** Navy ERP lacked a post payment sampling plan to estimate improper payments, and identify and correct root causes of improper payments.

**Accomplishment:** The Financial Services Division provided implementation guidance to the Financial Systems Division and reviewed their FY 2013 sampling plans for Navy ERP. The plan considers the payment universe and samples commercial pay vouchers (excluding Purchase Card vouchers). The FY 2014 plan will include all commercial pay, including Purchase Card invoices. Navy ERP sampling reviews the legality and propriety of payments, identifies root cause of improper payments, requires CAPs to address root causes, and tracks and reports on recovery of overpayments identified.

## **ASN (FM&C) – Strengthening the Appropriation Control Process in Support of the Fund Balance with Treasury (FBwT) Audit Assertion**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** As DON Treasury Index 17 budgetary resources are received as either an OMB SF 132 apportionment or an Office of the Secretary of Defense (OSD) funding documents, those transactions are recorded in the PBIS Execution Documentation Subsystem (EDS). These records, entered in accordance with DoD FMR, reflect adjustments to DON budgetary resources at the “headquarters” level, which include both Navy and Marine Corps GF accounts. To prepare for the FY 2014 financial audit, a review of internal controls on this process was conducted.

**Accomplishment:** DON performed supporting documentation and internal control testing to determine whether sufficient evidentiary matter exists and whether controls are operating effectively to meet financial supporting objectives. It was determined that the appropriation control process required strengthening; the areas of concern included the automatic tracking of apportionments issued by OMB to allocations issued by the DON and the ability to issue a DON funding document that exceeded apportioned funds. Therefore, updates were made to our process that required automation changes to EDS. Key efforts included: (1) the appropriation control analyst enters all changes to appropriation controls in PBIS and the lead appropriation analysts can then further break out these funds by Quarter (Qtr) but the system will not allow them to go over the control (previously there were two separate modules for analysts to update controls which “fed” to the Funding Allocation Document (FAD) processing – now there is only one) - a copy of the SF 132 document is available on line for review; (2) all Continuing Resolution (CR) adjustments are entered (prior to this the “30 day” automatic CR amounts were not); and (3) the “tilt” feature will highlight whether a SF 132 is available but an OSD document is not, an OSD document is available but the SF 132 is not, and funds exceed controls so the document cannot be processed. Detailed procedures were prepared (w/screen shots) and

reviewed with Financial Management Operations staff to ensure our process would not impede the FBwT assertion.

### **ASN (FM&C) – Auditable Annual Cost Authority Letters**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** For FY 2013, a change to the Defense WCF Annual Cost Authority (ACA) letters, for Research and Development (R&D) activities, was made by OSD to improve disclosure and auditability. Categories of authority were presented to tie to the official departmental financial SF 133 reports. One of the categories in the ACA letter includes the “Unobligated Balance Brought Forward” (line 1000 on the SF133). This amount incorporates Component Level Adjustments (CLA). CLA’s, result from various Journal Vouchers (JVs) entries posted by DFAS to reconcile monthly financial data submissions to the Defense Departmental Reporting System (DDRS). During the set-up of the new structure, it was determined that the CLA’s were not attributable to specific BSO’s and were being prorated to the R&D activities ACA letter’s “Unobligated Balance Brought Forward total.” Prorating this amount negatively affected the audibility of the Defense WCF.

**Accomplishment:** By researching the CLA totals in DDRS, it was determined that many of the JV’s posted could be attributable to specific BSOs. FMB coordinated with DFAS and the Financial Management Operation Directorate and a plan was developed where DFAS researched and corrected many of the JV’s so they were posted to correct BSO’s. The effort decreased the balance of the CLA by nearly \$800 million. The effect was to dramatically reduce the amount of pro-rata CLA’s with an improved JV process. The efforts resulted in a lesser amount of JV adjustments and funding documentation which was more auditable.

### **ASN (FM&C) – Tracking and Verification of Execution Privileges in Support of the DON Audit**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** During the conduct of the DON audit, auditors identified a need to track, at the command level, the periodic verification of the DON personnel with execution privileges; namely those personnel able to submit requests for FADs, personnel able to review FADs, and approvers and signers of FADs. While a very short list at each Command, auditors conveyed a requirement that the DON could not have non-execution personnel assigned in duties that somehow retained their previous execution capabilities and privileges. While FMB had procedures in place to reconcile these users, the verification periodicity was typically quarterly at each budget submission that execution analysts were checked and account privileges adjusted. Auditors requested this process be moved to monthly and results recorded in an archive.

**Accomplishment:** FMB staff performed a review of the existing application that tracked execution analysts with specific privileges and determined needed modifications to address

auditor requirements. The application was expanded to show each Command within the DON with Execution Users. Second a monthly verification check was added so that BSO's PBIS Representatives could verify their staff inventory of execution users by name and PBIS account. At the end of each month, this verification activity is archived so that any commands not completing the verification can be alerted to this deficiency. Procedures are in place that will automatically alert BSO PBIS Representatives to conduct the local staff review and acknowledge the verification for their Command. Since the verification is only for execution analysts, the check is limited and does not add significant work. Since the audit requires these checks at each Command separately for material control processes, this check will archive the result so that other process can rely on this monthly record. The link for this application is located at: <https://fmbweb1.nmci.navy.mil/cfdocs/pbisadmin/index.cfm>.

### **ASN (FM&C) – Ship Modernization, Operations and Sustainment Fund (SMOSF) Cost Tracking and Reporting Guidance**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** The DoD, Military Construction and Veterans Affairs, and Full-Year Continuing Appropriations Act, 2013 (Public Law (P.L.) 113-6), section 8103 established SMOSF. The appropriation totals \$2.38 billion with a two-year availability. Guidance was needed to ensure proper management control and reporting.

**Accomplishment:** In September 2012, FMB issued a memorandum directing BSOs to track execution related to nine platforms funded under SMOSF, to include operations, manning, sustaining, upgrading, equipping, and modernizing, using a unique Functional Code and Sub-functional field (9B) for all appropriations applicable.

In April 2013, FMB issued reporting guidance for SMOSF to the BSOs. The guidance identifies the process to use for reporting execution and the distribution of the SMOSF. The objectives of the procedures are to:

- Maintain visibility of SMOSF funds; ensure responsibility for the management of resources.
- Ensure timely receipt of SMOSF funds (BSOs require timely funds receipt to protect their annual obligation authority).
- Maintain financial management process and procedures to the minimum level required to properly execute SMOSF.
- Establish procedures to support internal financial management controls of SMOSF financial operations.

Using the guidance issued, FMB was able to successfully track costs related to SMOSF and easily provide the costing data to congressional defense committees as required by P.L. 113-6 prior to transferring funds from SMOSF to the applicable appropriations.

## **ASN (FM&C) – Civilian Personnel Pricing Tool Enhancement**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of Issue:** The OSD has requested monthly reporting of civilian personnel data. The report must reflect U.S. Direct Hire FTEs and compensation for both direct and reimbursable funded personnel.

**Accomplishment:** Data retrieved from the Work Year Personnel Cost (WYPC) database is the source for the monthly OSD report. The Civilian Personnel Pricing Tool is utilized to capture WYPC data to develop budget estimates. However, this process was only performed for the DON review. The Pricing Tool has been modified to add a module to generate this monthly report. This automated process will allow for quicker data review and consolidation as the data is due to OSD by the 20<sup>th</sup> workday of the month. Additionally, it will enable Financial Management & Budget to more closely monitor civilian FTE execution. The application has a built-in feature to produce output reports and display data at both the BSO and DON level. An additional benefit of this enhancement is that the data will already be resident in the Pricing Tool prior to preparation of the DON submission. This should reduce the amount of time BSOs will need to review the data at that time.

## **ASN (FM&C) – Civilian Personnel Budget Exhibit Development and Automation**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** The OP-08 Part-3 Exhibit “Average Cost per FTE” reflects average cost per FTE from both the OP-08 and Budget Object Class System (BOCS) databases for each BSO at the appropriation, line item, type hire, and pay system level. A Civilian Personnel table identifying major categories of special interest to the Congress is required in the DON Highlights Book each year. These categories are not easily identifiable in other budget materials. Previously, information for this table (exhibit) was developed by hand, using notes passed down from year to year.

**Accomplishment:** For the OP-08 Part-3 Exhibit, a web-based tool has been designed, with a variety of checks, to ensure data matches controls and is consistent with the PBIS and BOCS data. Each of these modifications has improved management control over budgetary data and decreased the need for manual review at the FMB level to correct BSO errors. In addition, the BSOs use it as a tool to verify that the dollars for their average FTEs are consistent with inflation guidance prior to submit to FMB.

Development of an automated program for pulling Congressional special interest categories for the DON Highlights Book has improved the process, reduced the risk of error, and ensured consistency from year to year.

## **ASN (FM&C) – Establishment of Program Budget Information System-Information Technology (PBIS-IT)**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** The Navy IT Exhibit Standard Reporting (NITESTAR) legacy system has been the DON source for capturing data and preparing the IT Budget special exhibits for more than 20 years. NITESTAR was a repository of funding data associated with the official IT Programs of Record. In the past several years, IT Efficiencies, Enterprise Efforts, Data Center Consolidation, etc. have put a spotlight on IT and called for better visibility and transparency in the PPBE System. The use of NITESTAR was time consuming and had a high probability for error, resulting in significant frustration and a lack of trust in the database among IT decision makers. During this period, NITESTAR fully transitioned to PBIS-IT named intentionally to signify PBIS-IT as that part of PBIS that supports and enhances a program with IT capabilities.

**Accomplishment:** This change from a legacy process to a new, improved, and automated PBIS-IT has significantly formalized our IT Budget procedures allowing for mapping and cross walking of data fields between other administrative systems and helping to ensure that the data loaded to Select & Native Programming Data Input System IT is accurately supported throughout the DON's management processes of IT in the budget processes. BSOs and system users are able to validate data entries via the system, vice manually, which has greatly reduced the amount of work associated with reconciling data and has improved management control of the IT budget data. Additionally, PBIS IT has new and improved IT Budget features which contribute to better oversight, integration, and efficiencies in reporting and reviewing data.

The implementation of PBIS-IT proved to increase data accuracy, reduce the likelihood for error, saved time and brought about a renewed confidence to the authoritative source of data for the DON's IT/National Security System Budget.

## **ASN (FM&C) – More Disciplined Use of Resources (MDUR) Tracking**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** Beginning with the FY 2012 President's Budget, the DON, in support of DoD initiatives, began a concerted effort to identify and implement efficient business practices to maximize funds available for front-line operations as budgetary resources decreased due to economic factors within the country. In subsequent years the term MDUR replaced the term "efficiencies". In anticipation of implementation, funding for DON leadership approved efficiencies/MDUR initiatives was removed from program budgets during the build of each year's President's Budget. Upon execution of each annual appropriation, it is necessary to assess and understand the success and risk associated with implementation to prevent degraded mission capability directly tied to a given efficiency/MDUR or the need to restore funds, resulting in adverse impact to other mission areas.

**Accomplishment:** Beginning in December 2012 ASN (FM&C) assumed lead for tracking

implementation of DON efficiencies. In support of this effort, an online tool was developed and implemented for BSOs to report “by exception” implementation status of FY 2012/13/14 Efficiencies/MDUR. The tool provides for milestone risk and program risk assessment, as well as funding requirements to decrease identified risk. Implementation status is assessed and reported by BSOs to FMB quarterly – on a ‘by exception’ basis. BSOs assess milestone and program risk, as well as funding requirements to reduce risk for any initiative not assessed as ‘green’. When necessary, a second assessment of cross-functional/DON enterprise initiatives assessed as other than ‘green’ is requested of DON lead organizations, such as ASN (RD&A) or DON CIO. Using FMB data, ASN (FM&C) briefed the current status of DON FY 2012/13 Efficiencies/MDUR to Under Secretary of Defense for Comptroller and Under Secretary of Defense Deputy Chief Management Officer in January 2013. At that time all FY 2012/13 initiatives were assessed as ‘green’ for program risk. Additionally, FMB worked with OSD Cost Analysis and Program Evaluation/Comptroller, Navy staff, and Marine Corps staff to develop and finalize DON PB 2014 MDUR.

### **ASN (FM&C) – Congressional Knowledge Management System (CKMS) Financial Management & Budget Appropriations Matters Office (FMBE)**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of Issue:** CKMS is a commercial product specifically designed to track DON engagements with Congressional Appropriations Committee members and staff. The service provider updates member and staff listings, has secure data storage, and supplies training and technical assistance as part of the contract.

**Accomplishment:** FMBE negotiated and began a subscription to CKMS in February 2012. FMBE action officers enter data on DON engagement with Appropriations Committee members and staff to include any documents generated to support the engagement: briefings, point papers, and after action reports.

This data is then used to help prepare senior DON leaders for upcoming engagements (office calls, phone calls, hearings) by searching the data base for information on prior engagements (issues discussed, commitments made, due outs from the engagement).

### **ASN (FM&C) – Financial Disclosure Reporting**

**Internal Control Reporting Category:** Personnel and Organizational Management

**Description of the Issue:** The Office of Counsel ASN (FM&C) is responsible for collecting and reviewing Confidential Financial Disclosure Reports (Office of Government Ethics (OGE) 450), Public Financial Disclosure Reports (OGE 278), and Periodic Transaction Reports (OGE 278-T) for all covered positions within OASN (FM&C). The submission of public financial disclosure reports is required by the Ethics in Government Act and the Stock Trading on Congressional Knowledge Act, as supplemented and implemented by 5 Code of Federal

Regulations (CFR) Part. 2634 to ensure confidence in the integrity of the Federal Government by demonstrating that its employees are able to carry out their duties without compromising the public trust. Confidential financial disclosure reports for covered positions are required by 5 CFR Part. 2634 as a compliment to the public disclosure system to guarantee the efficient and honest operation of the government. The Office of Counsel's efforts ensure the required reports are submitted and provide a systematic review of financial interests of current OASN (FM&C) personnel in order to identify and prevent conflicts of interest.

**Accomplishment:** During the period 1 July 2012 to 30 June 2013, the Office of Counsel ASN (FM&C) timely collected OGE 450 disclosure reports from all 63 occupied covered positions within OASN (FM&C), conducted initial reviews within the timeframes set by the regulations, and prepared letters of caution informing employees of any potential conflicts of interest. During this same period, the Office of Counsel timely collected OGE 278 and OGE 278-T reports from each of the 13 covered positions within OASN (FM&C) and performed the initial review of those 278s. During this same period, the Office of Counsel also collected and performed initial review of one OGE 278 termination report, two OGE 278 new entrant reports, and eight OGE 278-T periodic transaction reports. This timely collection and review of the financial disclosure reports from personnel occupying all covered positions within OASN (FM&C) ensured compliance with the applicable financial disclosure requirements. More importantly, the administration of the financial disclosure reporting has informed applicable personnel of OASN (FM&C) of any potential conflicts created by their financial holdings, thereby reducing the risk of any actual conflicts of interest in the course of business.

### **Audit General of the Navy (AUDGEN) – Compliance with Generally Accepted Government Auditing Standards (GAGAS)**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** GAGAS is distributed by the Comptroller General of the United States to promote professional standards and guidance framework for conducting quality Government audits. SECNAVINST 7510.7F, "DON Internal Audit," requires NAVAUDSVC to perform audits in accordance with GAGAS. GAGAS provides guidance on ethics, independence, competence, professional judgment, quality control, field work, and reporting standards. GAGAS requires audit organizations to establish a system of quality control that encompasses business structure, policies, and procedures established to provide reasonable assurance of complying with applicable standards governing audits and attestation engagements. The internal quality control system should include procedures for monitoring to ensure policies and procedures related to the standards are suitably designed and are being effectively applied.

**Accomplishment:** Quality control reviews are one aspect of the NAVAUDSVC internal quality control system through which AUDGEN monitors the effectiveness of policies and procedures. NAVAUDSVC quality control team performed one internal review related to audit programs. Although minor deficiencies were noted, and subsequently corrected, it was concluded that the NAVAUDSVC was in compliance with GAGAS.

## **NAVSUP – Strategy and Innovation**

**Internal Control Reporting Category:** Other - Primarily Transportation

**Description of the Issue:** The NAVSUP N5 team created the first combined NAVSUP and Supply Corps Strategic Plan in 2012. In 2013, the first five year Strategic Plan and annual Commander’s Guidance was completed that reflects quantifiable goals and objectives for the NAVSUP Enterprise tied to CNO’s guidance and incorporates the voice of the customer acquired via customer surveys.

### **Accomplishment:**

- Free Issue Material Study: Identified \$1.3 million of free issue material outside DLA and Defense Reutilization and Marketing Service Automated Information System. Worked with ERP Business Office to construct a workable process to release free issue requisitions yet capture both requisition and receipt in ERP without generating a duplicate funded requisition.
- Tomahawk Supply Chain Operations Reference (SCOR) effort: Completed a prototype with Global Logistics Support Ammo to apply SCOR methodology to “Deliver” phase of the Tomahawk missile supply chain. Plan is to capitalize on this success and lessons learned, to expand to other SCOR phases and DON Supply Chains.
- Master Black Belt (MBB) Infrastructure: The NAVSUP N5 team has four MBBs placed strategically throughout the Enterprise to coach and mentor Black Belts and also support the Echelon Command structure in the maturing and development of their respective CPI deployments.
- CPI Efforts: Completed over 160 efforts during the past 12 months. FY 2012 average ROI of \$1.4 million per effort completed and FY 2013 ROI is projected to be over \$5 million per effort (cost savings and avoidance combined).
- CPI In-House Training: Numerous Black Belt, Green Belt, and Champion training classes have been conducted over the past year by NAVSUP internal MBB resources. NAVSUP continues to strengthen the CPI infrastructure and culture of the overall enterprise by ensuring each person on the CPI team understands and can properly execute their roles and responsibilities.

## **Marine Corps Systems Command (MCSC) – Statement of Budgetary Resources (SBR) Audit Response Readiness Improvements**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** The MCSC workload involved with the FY 2010 and FY 2011 SBR audit was immense and cumbersome. In several cases, MCSC FY 2010 samples were not submitted in the required timeline or were incomplete. In FY 2011, the immense growth in sample size induced a huge workload that needed to be more streamlined.

**Accomplishment:** MCSC Directorate of Financial Management (DFM) designated personnel in the signature authority teams dedicated to more consistent and continual capture/storage of funding documentation during the conduct of the actual funding execution process. This resulted in ready availability of documentation during the SBR audit. The reorganization of personnel also created dedicated focus on more timely and accurate posting of obligations. DFM also created a source document repository SharePoint site to retain all supporting financial documentation. This significantly increased the timeliness of sample documentation responses during the SBR audit. Both initiatives decreased risk and workload and increased response timeliness during subsequent SBR audits. Prior to the creation of both, supporting documentation was maintained in disparate electronic data folders, which increased risk of losing required financial documentation. These changes enabled the MCSC audit team to quickly retrieve over 6,726 SBR Audit artifacts, eliminating the need for each program management Budget Analyst to search and retrieve documentation. More timely and accurate submission of audit documentation increased the auditor's confidence and ultimately led to a reduced audit sampling for MCSC in subsequent audits.

Improvements/Cost Reduction and Avoidance: During FY 2011, the production of audit requirements involved over 100 individuals across the Command and required full time action for ten business days. During the FY 2012 sampling, this was reduced to fewer than 25 individuals to submit the same amount of artifacts. This reduction in man-hours increased the Command's productivity and reduced overtime/compensatory time costs involved with the SBR audit effort.

## **Marine Corps Forces Pacific Command – Mobility/Embarkation Readiness Assessment**

**Internal Control Reporting Category:** Force Readiness

**Description of the Issue:** Over time, Marine Aircraft Group (MAG)-16 headquarters and squadron embarkation readiness supplies degraded to an unacceptable level. Left unaddressed, the deficiencies in embarkation boxes and supplies for contingency operations could have resulted in an alarmingly large expense request if our MAG were to deploy in support of a crisis. As a result of identifying this issue, MAG-16 not only addressed internal requirements at a greatly reduced cost but also identified practices to save significant Strategic Lift assets and funds.

**Accomplishment:** Upon initial and detailed inspection, the MAG-16 Mobility Section identified shortfalls in critical items required to deploy squadrons. For example, none of the squadrons' consumable embarkation boxes had been serviced or replaced since 2009. In addition, all 463L pallets supplies for transporting military cargo had been depleted in support of unit deployment International Organization for Standardization (ISO) Operation Enduring Freedom (OEF). To address these issues, the Mobility Officer instituted a quarterly inspection process to continue to identify requirements in a timely fashion.

These efforts paid off while deploying Marine Medium Tiltrotor Squadron-161 to Afghanistan ISO OEF. The Squadron Logistics Officer planned and requested 36 463L Air Force pallet

positions to deploy the squadron, which would have required three Air Force C-17 sorties to deploy the squadron. The MAG Embarkation Section did a close inspection and identified wasted space due to the unit using Quadruple Containers (QUADCONS) as its primary embarkation container. Due to the containers size and limited capacity when loaded onto the 463L pallets system it can only use a maximum of 20% of the system's lift capacity. Switching the majority of the squadron's storage from QUADCONS to the Arbo Box system allowed 80% use of the pallet system, resulting in the squadron only needing one C-17 to deploy.

Cost Reduction and Avoidance: This simple measure saved the taxpayer approximately \$1.3 million. Additional savings of \$47,811 were realized by implementing a more coordinated and deliberate review of existing assets and projected savings for FY 2013 are \$157,879.

**Marine Forces Reserve (MFR) – Making Changes to Large Group Travel (LGT) Booked and Ticketed via United States Transportation Command (USTRANSCOM) and the Commercial Travel Office (CTO)**

**Internal Control Reporting Category:** Other – Transportation or Movement of Personnel

**Description of the Issue:** LGT is coordinated by the MFR Distribution Management Office (DMO) through the USTRANSCOM Group Operational Passenger system or the MFR CTO, Ravenel. LGT is defined as 21 or more passengers traveling together on the same day, on the same flight, for the same mission requiring group integrity, and identified as a group by the Travel Management System upon booking in support of Mobilization, Deployment, Redeployment, Training Exercise Employment Plan (TEEP) events, or Annual Training.

All commercial airline carriers and USTRANSCOM will impose penalties/fees for changes or cancellations on scheduled or chartered service. All changes made after tickets have been issued will incur a penalties/fee from the commercial carrier or USTRANSCOM. Change(s) penalties/fees range from \$5,000 up to \$50,000 or more depending on the change(s) and number of passengers traveling.

**Accomplishment:** Once a large group move has been finalized / ticketed with USTRANSCOM or CTO Ravenel, the traveling unit is responsible for reporting and obtaining approval for any changes to their TEEP Manager and Medical Service Corps – Logistics (MSC G-4) and forward to Marine Forces Reserve (MFR) DMO any changes that may affect the move (i.e., an increase or decrease in passenger count, changes in baggage, traveling with weapons, any impediments requirements, changes in dates or time, or cancellation of all or part of arranged transportation). All changes must be approved by the TEEP Manager and the unit MSC G-4.

Improvements: The following improvements are the result of requiring the unit(s) to obtain approval from their TEEP Manager and MSC G-4 prior to making any changes to their large group travel:

- Require the units to plan better for exercise and training.

- Decrease in man-hours and personnel processing to rebook the large group over again and double the initial request time.
- Allow the CTO office to process more other travel requests instead of processing the same reservations multiple times.

Cost Reduction and Avoidance:

- Cost reduction for lost man-hours to process each change(s) again.
- Cost reduction penalties and fees for multiple changes and last minute changes.
- Cost reduction of employee hours for re-processing changes.
- Military Air Transportation Agreement Guidelines for most commercial airlines is as follows:
  - If changes are made four days prior to departure it is a 25% penalty of the total cost of the ticket.
  - If changes are made three days to 24 hours prior to departure it is a 50% penalty of the total cost of the ticket.
  - If changes are made within 24 hours of traveling or the traveler no-shows, the penalty would be 100% of the ticket price.

As of today this change has saved MFR over \$300,000 and could easily be more, if units were not allowed to make change(s) only in cases of emergency.

**MFR – Electronic Fingerprint Scanners and Force-wide Incorporation of Electronic Fingerprint Scanners**

**Internal Control Reporting Category:** Comptroller and Resources Management; and Security

**Description of the Issue:** The Under Secretary of Defense for Intelligence issued a memorandum for DoD components to transition to Electronic Fingerprint Scanners for fingerprint capture and submission in support of background investigations in support of all background investigations by 31 December 2013. The use of automated electronic fingerprint devices will greatly speed capture, submission, and processing time while providing higher quality images. This transition will support goals established by the Intelligence Reform and Terrorism Prevention Act of 2004 and the implementation of Homeland Security Presidential Directive-12. DoD components shall transition to electronic capture and submission of a full set of fingerprints (10 individual rolled prints, two thumbprints, and two four-finger sets of prints, compliant with current Federal Bureau of Investigation standards) in support of all background investigations, and hard copy fingerprint cards will not be accepted. Components are responsible for procuring, distributing, and maintaining electronic 10-print fingerprint capture devices, associated capture, format, training, and submission software, and other equipment as required to comply with this policy.

**Accomplishment:** The MFR Security Management Office coordinated with HQMC PP&O and SPAWAR to purchase and ship the initial 45 Fingerprint Scanners. The MFR Security Management Office positioned the scanners at key MFR Sites based on each Command's current

access to a fingerprint scanner at a local Military Base, or at a State or Government Agency. The accounting for assets was solely based on manual inventories which resulted in employing additional labor resources. The initial purchase of 45 electronic fingerprint scanners and an accompanied one year maintenance contract has been accomplished through coordination with HQMC and SPAWAR. The 45 fingerprint scanners have been shipped, the scanners have been programmed, and training is complete. No internal management 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 is as follows:

- Labor = 6000 hours or \$120,000 annual savings
- Manual Inventory = 12 hours or \$448 annual savings
- Supplies and Shipping = \$580
- Total Savings = \$125,270 over a one year period

MFR found that the existing controls, as placed into operation, are enhanced with automation of fingerprint submission through electronic fingerprint scanners. The cost to complete the initial process of training and automation controls is as follows:

- Annual Maintenance Warranty = \$1,632
- One Fingerprint Scanner Laptop = \$5,213
- Total of 45 Fingerprint Scanner Laptops with Maintenance
- Warranty: \$308,025 over a one year period

The fingerprint scanner implementation provides adequate controls and savings to MFR of \$5,149,999.00 over 10 years. All Commands will scan fingerprints via the Cross Match fingerprint scanner in an average five minutes. The data is immediately transmitted to the Office of Personnel Management (OPM) for submission with no lost time due to completing manual fingerprint cards, logging the transaction, copying, filing, shipping the cards to OPM, or reinitiating the entire process due to inaccurate or lost fingerprint cards. This automated technology sustains accurate inventory and records every transaction associated with the completion of the fingerprint capture. Visual inventory and inspection methods are incorporated with this process.

Improvements: Time-management, inventory accuracy, and cost reduction are the key improvements of this transition to electronic fingerprint scanners. The following improvements, cost reductions, and avoidances are the results of fingerprint scanner implementation:

- Improve the timely completion of security clearance submissions and background investigations.
- Improve internal controls for deployed assets through the ability to transmit fingerprints immediately through electronic transmission and without the delays in ground shipping.
- Improve inventory accountability of fingerprint records through electronic records and transmission.

- Instructor and administrator training provided to staff and follow-on training was provided to MFR across the Force.
- Decrease in man hours and personnel conducting the accountability and processing of hardcopy fingerprint cards.
- Eliminate inventory errors on hard copy fingerprint cards.

Cost Reduction and Avoidance:

- Cost reduction for lost assets
- Cost reduction of employee hours from the manual processes
- Cost reduction for hard copy administrative supplies
- Avoidance of inaccurate inventories and inaccurate hard copy fingerprint transmissions

Lowered risk of security clearance submissions and background investigations returned incomplete and delayed due to inaccurate or lost fingerprints.

**DON/AA – Object Class Code (OCC)**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** The proper classification of the OCC is vitally important to the submission and justification to higher authority for Secretariat IT budget requirements. In the recent years the OCC has not been alignment with the services or products that were executed and delivered; therefore understating execution funding reports.

**Accomplishment:** DON/AA ensured all IT requirements within the Secretariat were accurately reported within Navy Installation Technology Exhibits/Standard Reporting PBIS-IT databases through coordination with activity IT managers, activity financial managers, and DON/AA Financial Management Division analysts.

As a result in changes to the OCC for IT as contained in OMB Circular A-11, DON/AA developed a crosswalk between PBIS-IT line number definitions and new OCCs. Working with respective managers and financial analysts, DON/AA coordinated analysis and meetings with the various activities to ensure accuracy of data in PBIS-IT and correction of Secretariat Automation Resource Management Information System OCC to reflect proper documentation of IT within the Secretariat. This effort resulted in the correct OCC classification of \$26 million a year previously classified as 25.21 million "other contracts" that was at risk, this postures the overall Secretariat budget to more accurately justify and defend the IT support budget of \$77 million and \$548 million in non-IT support for high authority review.

**DON/AA – System Authorization Access Request (SAAR)**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** SAAR is an important component of achieving auditability and ensuring that IT system access is granted to appropriate DON personnel. Hardcopy SAAR forms were not centrally located or managed; therefore, there is a need to develop a centralized electronic repository for timely document retrieval and updating.

**Accomplishment:** DON/AA's ITD appointed a SAAR Manager to work stream the SAAR process. From the effort an online repository was created that allowed for paper based SAAR forms to be converted to electronic versions and stored. In addition, submitted SAAR forms are immediately populated into an online repository. The effort has drastically reduced the number of misplaced SAAR forms. The new electronic version of the SAAR form and the prescribed filing method has made the process of establishing customer account requirements and their subsequent creation more efficient, with reduced time for customers and ITD staff. In addition, the customer account information is more readily examinable by ITD staff.

### **DON/AA – SECNAVINST Template**

**Internal Control Reporting Category:** Comptroller and Resource Management

**Description of the Issue:** The management and issuance of the DON's SECNAVINST to ensure compliance with laws and regulations is an ongoing dilemma for the DON.

**Accomplishment:** DON/AA's DRMD compiled an index of SECNAVINST by creating a template that DON chartered offices can utilize for writing instructions. Personnel met with DON stakeholders to provide an overview of the newly prescribed format and the directives process. DON/AA's IT Division created a database for managing SECNAVINST. In addition, DON/AA's DRMD drafted a SECNAVINST 5215.E, which assigns roles and responsibilities, defines processes, outlines the format, and enforces timelines for the issuance of instructions.

**TAB B**

**Operational Material Weaknesses/Corrective Actions**

**Uncorrected Material Weaknesses Identified During the Period:**

None

**Uncorrected Material Weaknesses Identified During Prior Periods:**

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>First Year Reported</b>	<b>Targeted Correction Year</b>	<b>Page #</b>	<b>Corrective Action Summary</b>
Contract Administration	Contract Management – Service Contracts: There were four specific areas within the contract administration process which are contract management, management oversight, documentation, and quality control.	FY 2012	4th Qtr, FY 2015	D-1-1	Revise NAVSUPINST 4205.3D providing more detailed guidance on the responsibilities assigned to CORs, notifying COs requiring contracted services of their assigned COR and the responsibilities required, implementing the DoD Contract Officer’s Representative Tracking (CORT) tool, adding COR Compliance as a Special Interest Item in PPMAP reviews, and establishing COR Compliance Metrics and report in Command Monthly Metrics Brief. Strengthen the administration of service

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Year	Page #	Corrective Action Summary
					contracts. Establish management oversight on PPMAP and develop written guidance for PPMAP reviews.
Acquisition	Attenuating Hazardous Noise in Acquisition and Weapon System Design: Insufficient processes are in place to effectively mitigate hazardous noise risks posed during the operation and acquisition of major weapon systems.	FY 2010	4 <sup>th</sup> Qtr, FY 2015	D-1-3	Develop a working group to address identified deficiencies. Issue hearing protection and initiate several efforts related to hearing loss prevention and Hearing Conservation Program management.
Communications and/or Intelligence and/or Security	COMSEC: There are opportunities to improve procedures and policies for requesting, approving, and documenting the release of COMSEC equipment to supporting contractors. In addition, there are opportunities to improve COR administrative procedures for reconciling and documenting COMSEC accounts.	FY 2006	3 <sup>rd</sup> Qtr, FY 2014	D-1-6	Develop and implement a SECNAVINST for managing and tracking DON COMSEC equipment accounts supporting DON contracts and implement a uniform equipment request and loan tracking system with SOPs. Provide “all hands” training to COMSEC stakeholders. Develop a formal

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Year	Page #	Corrective Action Summary
					policy for COR administrative procedures and identify alternatives to reduce the overall reconciliation cycle and increase productivity.
Communications and/or Intelligence and/or Security	PII: Breach report metrics demonstrated a need to improve or develop PII safeguarding policies in three areas: magnetic hard drives, Social Security Number (SSN) reduction, and PII awareness training.	FY 2010	3 <sup>rd</sup> Qtr, FY 2014	D-1-7	Update SSN statistics quarterly until the goal of a 10% decline in the number of high risk breaches related to SSNs for at least three continuous months is reached. Create a DoD identification to replace SSN. Implement Phase III of the SSN Usage Reduction Plan.
Procurement and Contract Administration	Effective Use of EVM Across the DON Shipbuilding Programs: Inadequate oversight and application of EVM resulted to the failure of effective implementation and gaining the fully benefits of the process.	FY 2010	2 <sup>nd</sup> Qtr, FY 2014	D-1-8	Complete plans for adjusting staffing priorities and oversight processes to address EVM issues. Complete actions for creating and deploying training geared towards EVM analysts. Issue updated NAVSEA Instruction 7000.4H.

**Material Weaknesses Corrected During the Period:**

None

**TAB C**

**Financial Reporting/Financial System Material Weaknesses/Corrective Actions**

**Uncorrected Material Weaknesses Identified During the Period:**

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>Targeted Correction Date</b>	<b>Corrective Action Summary</b>
Budget-to-Report, Financial Statement Compilation and Reporting	The DON's control environment is not designed and/or operating effectively to ensure all adjustments follow a standardized process to support an audit trail. Inconsistent procedures for recording an adjustment transaction and retaining the proper supporting documentation pose a significant risk to produce accurate and complete financial statements and reports.	2 <sup>nd</sup> Qtr, FY 2014	Conduct Command level training to identify key controls around field level Adjusting Journal Entries (AJE) to ensure entries are properly prepared, reviewed/approved, supported, and documented in a standardized fashion. Leverage the DON journal voucher AJE policy, AJE CAP, as well as additional artifacts including developed desk guides and AJE forms. Perform second round of testing of the field level AJE.
Procure-to-Pay, Contract Vendor Pay	The DON's control environment is not designed and/or operating effectively to recognize unpaid accepted goods as a liability therefore the balances recorded for delivered orders and un-liquidated obligations are potentially understated.	2 <sup>nd</sup> Qtr, FY 2014	Require authorized government officials validating receipt and acceptance to confirm that appropriate acknowledgement is performed and acceptable supporting documentation is retained for auditability (i.e. annotate such language as acknowledged receipt and acceptance of goods received and/or services rendered without exception). Record associated liability transactions in a timely and accurate manner.
Procure-to-Pay, Military Standard Requisitioning and Issue Procedures (MILSTRIP)	Transactions resident to Naval Shipyard requisitioning and financial management systems of record cannot be efficiently and accurately reconciled to the GL. Financial management business process variances exist at Naval Shipyards and satellite	2 <sup>nd</sup> Qtr, FY 2014	Conduct cross-segment discovery at the Naval Shipyards to address potential risk for MILSTRIPs through the development of remediation timelines. Discovery will include the stand-up of a working group to identify root causes of Naval Shipyard feeder

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>Targeted Correction Date</b>	<b>Corrective Action Summary</b>
	facilities, which adversely impact the implementation of CAPs. KSD to support administrative receipt processing and monitoring of disbursements to detect invalid, fraudulent, or improper billings is not retained in accordance with standard policy.		system issues and explore system enhancements via prioritized System Change Request. Validate the accuracy of transactions recorded in DON financial systems of record and the GL.
Procure-to-Pay, MILSTRIP	The DON's service provider DFAS has insufficient controls in place to validate the effectiveness of Visual Inter-fund System Transaction Accountability (VISTA) system functionality for assigning a LOA to inter-fund bills that result in MILSTRIP obligations or payables and disbursements on the GL. DON and DFAS have designed automated application controls to test hard-coded business logic in VISTA, but without confirmation from DFAS of a completed FISCAM, VISTA controls cannot be conclusively tested.	2 <sup>nd</sup> Qtr, FY 2014	Based on materiality, the DON in conjunction with DFAS, will review and prioritize VISTA FISCAM control testing. Reliance will be placed on E&C feeder system reconciliations for assurance on the completeness of the disbursement transaction universe in the GL.
Procure-to-Pay, MILSTRIP	The DON's internal controls reconciliation process for ULOs is not designed to effectively monitor if open MILSTRIP commitments and obligations represent a bona fide need. The DoD FMR triannual review guidance for dormant obligations limits the scope of review for MILSTRIP ULOs, because the volume of transactions is valued below the established dollar thresholds. Cumulative ULO balances not reviewed due to dollar	2 <sup>nd</sup> Qtr, FY 2014	Create a comprehensive MILSTRIP ULO reconciliation process designed to review all dormant transactions, regardless of dollar thresholds or overage criteria. Based on coding logic requirements defined in working groups with technical developers, the process will incorporate the requirements of the triannual review and provide BSOs with decision support to enhance purchasing power by reconciling previously unliquidated transactions.

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>Targeted Correction Date</b>	<b>Corrective Action Summary</b>
	thresholds could potentially overstate financial statement commitments and obligations.		
Procure-to-Pay, Transportation of Things (ToT)	Insufficient controls allow unauthorized use of Transportation Account Codes (TAC) or shipments from occurring. DoD Transportation Officers do not have the capability to determine if the shipping requestor is authorized to use the TAC cited on the shipping document or validate sufficient funds are available prior to releasing for shipment, therefore resulting in transportation services being charged to the incorrect organization's LOA. In addition, it results to an overstatement or understatement of the LOA that could potentially lead to an Anti-Deficiency Act violation.	4 <sup>th</sup> Qtr, FY 2014	Continue to collaborate with OUSD (C) FIAR led working groups to develop DoD-wide solutions and mitigating strategies.
Procure-to-Pay, ToT	DoD does not have standardized processes and procedures for ToT's KSD to support management evaluations, examinations, and audits. The preponderance of ToT KSDs is system generated by processes and procedures not owned by DON that cannot be provided in a timely and accurate manner.	4 <sup>th</sup> Qtr, FY 2014	Continue to collaborate with OUSD (C) FIAR led working groups to develop DoD-wide solutions and mitigating strategies.
Procure-to-Pay, ToT	Transportation and financial system interfaces do not support exchange of all required transactional data. Majority of ToT systems are owned by transportation service providers and other DoD services that are not included in DON's	4 <sup>th</sup> Qtr, FY 2014	Continue to collaborate with OUSD (C) FIAR led working groups to develop DoD-wide solutions and mitigating strategies.

Internal Control Reporting Category	Description of Material Weakness	Targeted Correction Date	Corrective Action Summary
	FISCAM audit readiness compliance efforts. DON standard document numbers can be modified as other DoD services input data into their perspective financial and transportation systems, therefore resulting to lost or corrupt data transfers, increases in the risk of financial reporting accuracy, and makes GL reconciling process extremely difficult to track transactions to KSD.		
Budget-to-Report, Financial System - SBA	Assessment results for nine general support and major applications reveal internal control design and operating effectiveness deficiencies in four areas: access controls, configuration management, audit and accountability, and identification and authentication. The nine systems include CFMS, DCPDS, DECKPLATE, FASTDATA, Navy ERP, NSIPS, OIS, PBIS, and SLDCADA.	4 <sup>th</sup> Qtr, FY 2014	Work closely with the DON CIO to identify the complete inventory of relevant financial systems and remediate identified control deficiencies. Ensure adequate policies and procedures are established to support FISCAM methodologies. Establish an internal governance board to ensure the DON remains in compliance with FIAR directed IT initiatives.

**Uncorrected Material Weaknesses Identified During Prior Periods:**

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Original Target Date	Targeted Correction Date	Corrective Action Summary
Order-to-Cash, RWO-P	The DON's control environment is not designed and/or operating effectively to verify undelivered orders and accounts	FY 2012	FY 2012	1 <sup>st</sup> Qtr, FY 2014	Implement a triannual review to monitor the status of dormant reimbursable agreement receivables and unfilled orders to

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>First Year Reported</b>	<b>Original Target Date</b>	<b>Targeted Correction Date</b>	<b>Corrective Action Summary</b>
	receivables represented valid transactions that are authorized and approved.				validate a bona fide need still exists. The triannual review must include the review of accounts receivables to certify transactions conform to the management requirements for proper financial management oversight.
Order-to-Cash, RWO-P	The DON's control environment is not designed and/or operating effectively to verify unfilled reimbursable orders/authorizations are recorded completely and accurately.	FY 2012	FY 2012	4 <sup>th</sup> Qtr, FY 2016	Perform monthly reconciliations with trading partners (grantors) to identify agreement discrepancies. Through the reconciliation process, discrepancies will be logged and signed by performer personnel and tracked until resolution. Execute reconciliations of its material feeder systems to its GLs in order to meet financial reporting objectives.
Order-to-Cash, RWO-P	The DON's control environment is not designed and/or operating effectively to verify year-end accruals are accurately posted.	FY 2012	FY 2012	3 <sup>rd</sup> Qtr, FY 2014	Develop methodologies centrally to estimate and post receivable accruals for implementation across Major commands.

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>First Year Reported</b>	<b>Original Target Date</b>	<b>Targeted Correction Date</b>	<b>Corrective Action Summary</b>
Order-to-Cash, RWO-P	The DON's control environment is not designed and/or operating effectively to verify the amount billed is valid and accurately recorded based on goods/services provided. There is a potential audit risk that financial statements do not reflect an accurate record of account receivables.	FY 2012	FY 2012	4 <sup>th</sup> Qtr, FY 2013	Implement a monthly post-collection validation procedure. DoD's enterprise wide Invoice Processing Platform (IPP) for 4 <sup>th</sup> Qtr FY 2016 will assist the DON in implementing a long-term automated solution.
Order-to-Cash, RWO-P	The DON's control environment is not designed and/or operating effectively to verify collections are processed timely, completely, and accurately.	FY 2012	FY 2012	4 <sup>th</sup> Qtr, FY 2013	Implement a process to research all unmatched collections identified in the Unmatched Collection Database and resolve appropriately (to be implemented by DFAS). DFAS-Cleveland is currently implementing and testing the process. Upon DFAS-Cleveland testing and process verification DFAS-Columbus will implement a similar process.
Procure-to-Pay, RWO-G	The DON's control environment is not designed and/or operating effectively to validate that recorded reimbursable agreements represent a bona fide need.	FY 2012	FY 2012	1 <sup>st</sup> Qtr, FY 2014	Implement a triannual review to monitor the status of dormant reimbursable agreement commitments and obligations to ensure a bona fide need still

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>First Year Reported</b>	<b>Original Target Date</b>	<b>Targeted Correction Date</b>	<b>Corrective Action Summary</b>
					exists. The triannual review must include the review of commitments and obligations to certify transactions conform to management requirements for proper financial management oversight.
Procure-to-Pay, RWO-G	The DON's control environment is not designed and/or operating effectively to validate that recorded obligations are complete and accurate.	FY 2012	FY 2012	4 <sup>th</sup> Qtr, FY 2016	Perform a monthly reconciliation with trading partners (performers) to identify agreement discrepancies. Through the reconciliation process, discrepancies will be logged and signed by grantor personnel and tracked until resolution. Execute reconciliations of its material feeder systems to its GLs in order to meet financial reporting objectives.
Procure-to-Pay, RWO-G	The DON's control environment is not designed and/or operating effectively to verify recorded disbursements are valid and accurate.	FY 2012	FY 2012	4 <sup>th</sup> Qtr, FY 2013	Implement a monthly post-disbursement validation procedure. DoD's enterprise wide IPP for 4 <sup>th</sup> Qtr FY 2016 will assist the DON in implementing a long-term automated solution.
Procure-	The DON's control	FY 2012	FY 2012	3 <sup>rd</sup> Qtr,	Develop

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>First Year Reported</b>	<b>Original Target Date</b>	<b>Targeted Correction Date</b>	<b>Corrective Action Summary</b>
to-Pay, RWO-G	environment is not designed and/or operating effectively to validate that year-end accruals are accurately posted.			FY 2014	methodologies to estimate and post payable accruals for implementation across Major commands.
Acquire-to-Retire, Military Equipment (ME)	The DON cannot establish and/or support ownership and valuation of ME due to lack of supporting documentation, improper interpretation of guidance, underutilization of the accounting system of record and system limitations. The DON cannot substantiate that the Accounting System of Record (ASR) represents a complete inventory of ME assets. The DON's assets included in the ASR do not reflect all ancillary costs or assign an accurate useful life.	FY 2005	1 <sup>st</sup> Qtr, FY 2009	4 <sup>th</sup> Qtr, FY 2017	Initiate discovery action including a BPS effort to map and streamline business processes, and a data element data call. Perform inventory testing for E&C. Work with the Navy ERP program office to implement process of the Proper Financial Accounting Treatment for Assets. Establish the ME asset class in Navy ERP.
Acquire-to-Retire, General Equipment (GE)	The DON cannot establish and/or support ownership and valuation of GE due to lack of supporting documentation, improper interpretation of guidance, underutilization of the accounting system of record and system limitations. The DON cannot substantiate that	FY 2007	1st Qtr, FY 2009	4 <sup>th</sup> Qtr, FY 2017	Initiate discovery action including a BPS effort to map and streamline business processes, and a data element data call. Perform inventory testing for E&C and additional testing for the proper financial accounting treatment for assets process within Navy

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>First Year Reported</b>	<b>Original Target Date</b>	<b>Targeted Correction Date</b>	<b>Corrective Action Summary</b>
	the ASR represents a complete inventory of GE assets. The DON's assets included in the ASR do not reflect all ancillary costs or assign an accurate useful life.				ERP.
Acquire-to-Retire, Real Property (RP)	The DON has insufficient standardized internal control and supporting documentation requirements, affecting the timely and accurate relief of construction in progress and recordation of RP transactions. RP acquisition, inventory, and disposal processes and systems deficiencies results to miscommunication and insufficient support for asset ownership and valuation.	FY 2006	2 <sup>nd</sup> Qtr, FY 2009	4 <sup>th</sup> Qtr, FY 2017	Automate the DD 1354 process. Ensure accurate RP reporting NAVFAC WCF assets were transitioned from Personal Property Management System to Internet Naval Facilities Asset Data Store (iNFADS). Execute additional discovery work and as-is internal control gap analysis. Conduct process and system improvement working groups' assessments. Implement training for system improvement and perform inventory testing for E&C.
Plan-to-Stock, Inventory	The DON cannot maintain accurate MAC inventory values and clear audit trails by ASR to permit the tracing of transactions from the source documentation to the reported total dollar values on the Inventory	FY 2005	4 <sup>th</sup> Qtr, FY 2011	4 <sup>th</sup> Qtr, FY 2017	Implement and deploy of Navy ERP Single Supply Solution. Conduct on-going discussions with FMO and commands to refine the procurement contractual actions to support proper MAC

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>First Year Reported</b>	<b>Original Target Date</b>	<b>Targeted Correction Date</b>	<b>Corrective Action Summary</b>
	<p>line item on DON's Financial Statements. The legacy accounting system does not maintain the necessary historical cost data to support MAC. Authoritative source documentation to calculate MAC is unavailable and does not exist for all material currently in the Navy WCF supply management.</p>				valuation.
Plan-to-Stock, Operating Material and Supplies (OM&S)	<p>The DON cannot demonstrate an ability to consistently perform and document annual physical inventories of OM&amp;S and maintain clear audit trails to permit the tracing of transactions from source documentation to comply with established policy requiring source documentation for the reported OM&amp;S dollar values. Legacy systems are designed for material management functions, but lack the ability to capture financial information, therefore the DON has not maintained historical cost data to comply with Generally Accepted Accounting</p>	FY 2005	4 <sup>th</sup> Qtr, FY 2011	4 <sup>th</sup> Qtr, FY 2017	<p>Assert and examine the DON Ordnance. Initiate Discovery actions including BPS efforts to map and streamline business processes, and a data element data call. Perform inventory testing for E&amp;C with corrective actions to follow based on results. Corrective actions will include determining causes for failure, developing CAPs, training responsible personnel, implementing internal controls, and retesting performance.</p>

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Original Target Date	Targeted Correction Date	Corrective Action Summary
	Principles.				
Acquire-to-Retire, ME	The USMC control environment for ME is not designed and/or operating effectively for the reason that evidence to support the five financial statement audit assertions (i.e., existence, completeness, valuation, rights and obligations, and presentation and disclosure) was insufficient or not readily available.	FY 2008	2 <sup>nd</sup> Qtr, FY 2013	4 <sup>th</sup> Qtr, FY 2014	Procure contract support to provide services in Item Unique Identification (IUID) project planning, criteria analysis, mission essential systems, pedigree data collection, engineering analysis, and data management. Initiate opportunistic and "Seek-and-Apply" marking. Issue MCO on IUID of Marine Corps Ground Equipment. Continue random sample review of E&C compliance. Develop and execute independent review of mission-critical assets. Continue random sample compliance review for HQMC, the Operating Force and Support Establishment. Complete ground legacy equipment "Seek-and-Apply".
Acquire-to-Retire, RP	The USMC control environment for RP is not designed and/or operating effectively for the reason that evidence to support the	FY 2008	4 <sup>th</sup> Qtr, FY 2013	4 <sup>th</sup> Qtr, FY 2014	Define and formalize valuation methodologies and document retention policy of RP. Conduct training.

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Original Target Date	Targeted Correction Date	Corrective Action Summary
	five financial statement audit assertions (i.e., existence, completeness, valuation, rights and obligations, and presentation and disclosure) was insufficient or not readily available.				Develop a DD Form 1354 module in iNFADS. Conduct meeting with Marine Corps RP Accountability Officers to resolve business process issues related to RP accountability. Publish process guidance for RP stewardship. Procure contract support to document internal controls for RP financial reporting and conduct on-site validation of new guidance. Publish guidance letter on RP classification. Publish new MCO 11000.14.
Procure-to-Pay, RWO-G	The USMC control environment for RWO-G is not designed and/or operating effectively because of the inability to provide missing receipt and acceptance supporting documentation for intra-governmental transactions. Project Management Offices (PMOs) often do not receive delivery confirmation documentation from DCMA – Authorized Contracting Officers,	FY 2012	4 <sup>th</sup> Qtr, FY 2013	4 <sup>th</sup> Qtr, FY 2014	Implement a process to record expenses based on each individual disbursement. Provide training and continue the Deputy for Resource Management expense processing. Work with OUSD (AT&L) and DLA to require external-to-USMC feeder systems to establish interfaces via the DLA Transactions Services. Establish a

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Original Target Date	Targeted Correction Date	Corrective Action Summary
	DoD – DMOs, Service – PMOs, Fleet Marine Force (FMF) delivery points, non-FMF delivery points, or interim delivery points.				single repository for all receipt and acceptance documentation. Finalize policy and SOPs to require standard documentation. Participate in the Treasury’s Internet Payment Platform.
Procure-to-Pay, RWO-G	The USMC control environment is not designed and/or operating effectively because of the inability to timely record obligations. There is no electronic posting interface with the Marine Corps SABRS, when joint contracts are awarded by DON and external organizations such as the Army and DCMA. As a result, the manual posting of obligations is required. In some cases, notification of contract award and posting obligations in SABRS does not occur until the vendor submits an invoice for payment and the error is caught during the pre-validation phase of the DFAS payment process.	FY 2012	4 <sup>th</sup> Qtr, FY 2013	4 <sup>th</sup> Qtr, FY 2015	Develop management guidance and produce monthly reports to monitor and address abnormal accounting conditions. Create and implement a rigorous triannual review and confirmation process. Publish management guidance for the timely retrieval of source documentation. Implement the Treasury’s IPP for Military Interdepartmental Purchase Request (MIPR) and Work Requests and mandate use of PR Builder for all non-Global Command Support System purchases.
Budget-to-Report,	The deficiencies for SABRS span across	FY 2011	2 <sup>nd</sup> Qtr, FY 2012	2 <sup>nd</sup> Qtr, FY 2015	Continue to implement and

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>First Year Reported</b>	<b>Original Target Date</b>	<b>Targeted Correction Date</b>	<b>Corrective Action Summary</b>
Financial Reporting	multiple control categories defined in the GAO FISCAM, including application level general controls, business process, interface, and data management system controls.				monitor actions identified in Plans of Actions and Milestones to address the internal control deficiencies. Require several types of action to include implementing technical solutions such as a new automated user provisioning system, implementing a Software Change Request, and updating policies and procedures to accurately reflect processes.
Hire-to-Retire, MILPAY	The deficiencies for Marine Corps Total Force System span across multiple control categories defined in the GAO FISCAM, including application level general controls, business process, interface, and data management system controls.	FY 2011	2 <sup>nd</sup> Qtr, FY 2012	4 <sup>th</sup> Qtr, FY 2013	Continue to implement and monitor actions identified in POA&M to address the internal control deficiencies. Require several types of action to include implementing technical solutions such as migrating to a new system environment, and updating policies and procedures to accurately reflect processes.
Budget-to-Report, Financial Reporting	The deficiencies for DDRS span across multiple control categories defined in the GAO FISCAM,	FY 2011	2 <sup>nd</sup> Qtr, FY 2012	4 <sup>th</sup> Qtr, FY 2015	Continue to implement and monitor actions identified in POA&M to address the internal

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>First Year Reported</b>	<b>Original Target Date</b>	<b>Targeted Correction Date</b>	<b>Corrective Action Summary</b>
	including application level general controls, business process, interface, and data management system controls.				control deficiencies. Require several types of action to include implementing technical solutions such as a new database to capture configuration changes, removing users with inappropriate access, and updating policies and procedures to accurately reflect processes.
Budget-to-Report, FBwT (DCAS)	The deficiencies for DCAS span across multiple control categories defined in the GAO FISCAM, including application level general controls, business process, interface, and data management system controls.	FY 2011	2 <sup>nd</sup> Qtr, FY 2012	4 <sup>th</sup> Qtr, FY 2014	Continue to implement and monitor actions identified in POA&M to address the internal control deficiencies. Require several types of action to include implementing technical solutions such as a new database to capture configuration changes, and updating policies and procedures to accurately reflect processes.

**Material Weaknesses Corrected During the Period:**

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>First Year Reported</b>	<b>Original Target Date</b>	<b>Completion Date</b>	<b>Corrective Action Summary</b>
Budget-to-Report, FBWT	The DON control environment surrounding the recording of collection and disbursement transactions is not designed and/or operating effectively to mitigate the risk of material misstatement to the financial statements. The following control weaknesses have been identified in the collections and disbursement business process: lack of controls to prevent problem disbursements and a lack of periodic reconciliation of FBwT.	FY 2006	4 <sup>th</sup> Qtr, FY 2008	3 <sup>rd</sup> Qtr, FY 2013	Implement a process that includes a solid internal control environment to ensure proper reconciliation of Command/activity accounting system activity and reports with Treasury's reported activity and balances. Improve processes and/or systems to prevent/materially reduce processing of transactions that cause problem disbursements.
Procure-to-Pay, Transportation of People – DTS	The DON control environment is not designed and/or operating effectively to ensure all travel documents are processed through DTS workflow within 29 days, that DTS users do not have inappropriate or	FY 2012	3 <sup>rd</sup> Qtr, FY 2012	3 <sup>rd</sup> Qtr, FY 2012	Generate (1) monthly DTS reports to capture and review the status of travel document rejects and pending approvals and (2) annual DTS reports to reconcile the verified list of approving officials to their DD 577s on file. Generate and

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Original Target Date	Completion Date	Corrective Action Summary
	conflicting levels of permissions within the system and to ensure that travelers file vouchers for completed travel timely.				review the DTS Unsubmitted Voucher Report to ensure there are no claims outstanding for more than 30 days. Issue list of transactions which contain permission level conflicts. Assign two primary points of contact to execute the control activities and validate that the action has been taken to resolve any issues.
Order-to-Cash, RWO-P	The DON is not designed and/or operating effectively to ensure that RWOs are reviewed and accepted by an authorized official.	FY 2012	FY 2012	2 <sup>nd</sup> Qtr, FY 2013	Upon receipt of Delegation of Authority letter or DD577 the authorized official reviews the work is performed as stated in the Performance Work Statement.
Order-to-Cash, RWO-P	The DON control environment is not designed and/or operating effectively to ensure that manually entered billings are valid and accurate.	FY 2012	FY 2012	2 <sup>nd</sup> Qtr, FY 2013	Prior to entering a manual transaction, the DFAS certifier reviews required fields against MIPR and/or funding document and certifies the transactions in the Field Site Wizard.
Order-to-Cash, RWO-P	The DON control environment is not designed and/or operating effectively to	FY 2012	FY 2012	2 <sup>nd</sup> Qtr, FY 2013	The DFAS has standardized DCAS and Intra-governmental Payment and

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Original Target Date	Completion Date	Corrective Action Summary
	ensure that reimbursable billings are processed completely and accurately.				Collection (IPAC) bill run reviews. Certifying accountants track all items within a DFAS internal control spreadsheet. A certifying accountant also certifies all adjustments, corrections, reversals, and reconciliation between DCAS/IPAC and the ASR.
Procure-to-Pay, RWO-G	The DON control environment is not designed and/or operating effectively to ensure that RWOs are reviewed and approved by authorized officials.	FY 2012	FY 2012	2 <sup>nd</sup> Qtr, FY 2013	Upon receipt of Delegation of Authority letter or DD577, the authorized official reviews the funding document to verify that the goods and/or services being procured, as well as the period of performance are consistent with the nature of the authority provided. The authorized official approves the agreement.
Procure-to-Pay, RWO-G	(Partially Mitigated) The DON control environment is not designed and/or operating effectively to	FY 2012	FY 2012	2 <sup>nd</sup> Qtr, FY 2013	Commands have implemented a monthly post-disbursement validation procedure. The DON will

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Original Target Date	Completion Date	Corrective Action Summary
	ensure that recorded disbursements are valid and accurate.				implement a long-term automated solution with the support of DoD's enterprise Invoice Processing Platform scheduled for 4 <sup>th</sup> Qtr, FY 2016.
Procure-to-Pay, RWO-G	The DON control environment is not designed and/or operating effectively to ensure that manually entered transactions are valid or accurate.	FY 2012	FY 2012	2 <sup>nd</sup> Qtr, FY 2013	Upon receipt of MIPR and/or funding document, the DFAS certifier reviews each transaction in the Field Site Wizard to verify the associated LOA is valid. Once the LOA is valid, the DFAS certifying accountant certifies the transaction and transmits the data to the Central Site Wizard for processing.

## TAB D

### Corrective Action Plans and Milestones

#### Detail of Uncorrected and/or Corrected Material Weaknesses and Corrective Action Plans

**Title:** Contract Management (Service Contracts)

**Internal Control Reporting Category:** Contract Administration

**Targeted Correction Date:** 4<sup>th</sup> Qtr, FY 2015

**Description of Material Weakness:** There were four specific areas within the contract administration process which are contract management, management oversight, documentation, and quality control.

Contract Management: There was a lack of an accessible, automated Contractor Performance Assessment Reporting System (CPARS) to share data on past contractor performance among the Command's Customer Support Groups. The Deputy Assistant Secretary of the Navy for Acquisition and Procurement (DASN (AP)) did not establish a sufficient performance management framework, including goals and performance indicators, to assess progress and measure program health and oversight activities to ensure that PPMAP objectives were achieved. Also, the PPMAP Council did not fulfill any of its responsibilities required by the SECNAV, such as serving as the governance board for assuring consistency, discipline, and accountability of the self-assessment process, providing oversight of the PPMAP process, developing a rating system for use by PPMAP team, and annually reviewing the system to assure continued effectiveness.

Management Oversight: DASN (AP) did not provide management oversight or conduct the necessary management internal control activities, such as management reviews, over the DON PPMAP and develop written guidance for overseeing and conducting PPMAP reviews within DON.

NAVFAC did not have sufficient internal controls in place to ensure the Base Operating Support (BOS) contract was effectively administered in accordance with contracting and disbursing policies and procedures. For example, performance surveillance reviews were not completed by performance assessment personnel for 12 BOS construction delivery orders throughout the life of the contract and the Contracting Officer and COR did not consistently validate the accuracy and reasonableness of invoices for goods and services provided for the contract. The Contracting Officer did not appoint a COR for 40 of the 60 months of the contract life and did not inform the COR of construction tasks orders being issued under the BOS contract to ensure surveillance was being conducted as required. Additionally, the Contracting Officer was relying on un-appointed construction managers to perform surveillance functions on the 12 delivery orders reviewed.

DoD IG substantiated a Defense Hotline allegation which claimed that a fire station renovation did not bring the facility into compliance with the unified facilities criteria for Fire Stations and

identified additional design criteria, which contracting officials did not consider when planning the renovation project. For example, the renovated fire station did not have an adequate wash and disinfection room where firefighters could safely clean equipment without being exposed to potentially hazardous materials.

Documentation: Contracting officials did not provide accurate information and supporting documents to justify funding for a renovation project. Specifically, officials included inaccurate information and did not include all applicable building requirements in project planning documentation. For example, DoD IG identified that a planning official overstated estimates for the initial construction costs and the annual costs for maintenance, repair, and utilities. After adjusting for these errors, DoD IG calculated that the cost of new construction would be less than the amount on the supporting documents.

Contracting officials did not adequately document and support their fair and reasonable price determinations on six task orders awarded, valued at \$45.6 million, nor prepare adequate fair and reasonable price determinations on nine task order modifications, valued at \$3.8 million. In addition, contracting officials relied on unsupported independent Government cost estimates when making price reasonableness determinations on awards where only one contractor proposal was received.

Quality Control: NAVFAC officials did not always develop quality assurance plans for the surveillance of the Advanced Metering Infrastructure project, valued at \$24.8 million. For example, NAVFAC did not develop design and construction quality assurance plans for six of the nine task orders valued at about \$13.5 million. Also, contracting officials at Specialty Center Acquisition, NAVFAC and CORs at NAVFAC Service Center did not perform adequate surveillance on 18 task orders reviewed, valued at \$100.2 million. In addition, the contracting officials and the COR did not prepare a Quality Assurance Surveillance Plan for each task order. The COR did not perform the surveillance duties listed in COR designation letters such as performing onsite inspections and documenting surveillance of contractor performance. In addition, one COR, one alternate COR, and six unauthorized NAVFAC personnel either did not take COR training or did not receive up-to-date COR training.

**Detailed Corrective Action Plan:** The DON has taken a variety of corrective actions to address previously identified deficiencies in contract administration. Actions taken specific to COR execution include the following: issuing a revision to NAVSUPINST 4205.3D providing more detailed guidance on the responsibilities assigned to CORs and how those responsibilities are to be assigned and executed, notifying COs of each Command requiring contracted services of their assigned COR and the responsibilities required, implementing the DoD CORT tool, adding COR Compliance as a Special Interest Item in PPMAP reviews, and establishing COR Compliance Metrics and report in Command Monthly Metrics Brief. In addition, the DON is in the process of strengthening the administration of service contracts. Upon further assessment from SAO, CAPs will be implemented across the DON to satisfy the administration of service contracts.

For issues identified in FY 2013, the DON will establish management oversight and conduct the necessary management internal control activities over the DON's PPMAP and develop written guidance for overseeing and conducting PPMAP reviews within the DON.

Targeted Correction Date	Detail Corrective Actions	Responsible Organization	Status
1 <sup>st</sup> Qtr, FY 2012	Establish COR Compliance as a Special Interest Item in Command Monthly Metrics Brief	ASN (RD&A)	Complete
3 <sup>rd</sup> Qtr, FY 2012	Develop a DoD COR Handbook which will address contract surveillance and the roles and responsibilities of the Contracting Officer, the COR and the requiring activity/COR management in surveillance	ASN (RD&A)	Complete
2 <sup>nd</sup> Qtr, FY 2013	Conduct random sampling of contracts executed by each contracting official to ensure compliance with contracting regulations, directions and IOPs	ASN (RD&A)	Complete
3 <sup>rd</sup> Qtr, FY 2013	(1) Continue to ensure all contracting personnel have required training, certification, and proper grants of authority, and security clearances for their assigned contracting duties (2) Conduct 100% audit of documentation of aforementioned items and review the IOPs for use by contracting personnel and revise and/or update as needed (3) Train contracting personnel in use of updated or revised IOPs and conduct random sampling of contracts executed by each contracting official to ensure compliance with contracting regulations, directions and IOPs	OJAG	Complete
4 <sup>th</sup> Qtr, FY 2013	Complete Testing and Deploy COR Tracking Tool	ASN (RD&A)	In Progress
1 <sup>st</sup> Qtr, FY 2014	Establish management oversight and conduct the necessary management internal control activities over the DON's PPMAP	ASN (RD&A)	In Progress
4 <sup>th</sup> Qtr, FY 2014	Develop written guidance for overseeing and conducting PPMAP reviews within the DON	ASN (RD&A)	In Progress
4 <sup>th</sup> Qtr, FY 2015	Release SECNAVINST to implement DoDI's guidance on the COR	ASN (RD&A)	In Progress

**Title:** Attenuating Hazardous Noise in Acquisition and Weapon Systems Design

**Internal Control Reporting Category:** Acquisition

**Targeted Correction Date:** 4th Qtr, FY 2015

**Description of Material Weakness:** The noise resulting from the operation of certain

weapons systems has been deemed a hazard to the war fighters that operate in and around these weapon systems. DON did not have a sufficient process in place to effectively address mitigating hazardous noise risks posed by major weapon systems. Additionally, the audited weapon systems program offices did not fully comply with requirements to mitigate identified noise hazards during the acquisition process. As a result, these conditions may contribute to a hazardous environment of high noise exposure that, according to the Naval Safety Center, ensures permanent hearing loss for sailors and Marines. There are potential consequences for not remedying hazardous noise, such as the personal costs for Service members. Hearing impairment among Service members leads to economic consequences for DON, including: lost time and decreased productivity, loss of personnel through medical disqualification, increased military disability settlements, retraining of replacements, and expenses related to medical treatment.

**Detailed Corrective Action Plan:** The DON Hazardous Noise Exposure Mitigation Working Group was formed with the primary focus of integration of noise controls and related data management in the systems design, engineering, and sustainment processes spanning through impact of noise induced hearing loss. The Group was working to find solutions to determine the earliest and most feasible opportunity to provide hearing protection for Sailors and Marines upon entry into service and the most effective form of hearing protection for those already serving. The Group succeeded in bringing together SMEs, increasing infrastructure in both manpower and equipment, and raised awareness on the impact of hearing loss on operational readiness. However, challenges existed outside the traditional lanes of BUMED that hampered efforts to significantly reduce the impact of hearing loss across the Navy and Marine Corps Enterprise. The Group has since refocused their efforts to specifically address engineering solutions as applied to acquisition programs, and continues to hold meetings to work toward this goal.

The BUMED is now responsible for responding to recommendations related to issuing hearing protection, and has initiated several efforts related to hearing loss prevention and Hearing Conservation Program management. The BUMED's plan of action includes several corrective action efforts such as establishing a hearing injury reporting mechanism, expanding current inspection processes to incorporate hearing readiness measures of effectiveness, and promoting efforts to develop a fleet signal to focus research initiatives by Office of the Secretary of the Navy Research, Development and Acquisitions towards the development of new technologies that inhibit the negative effects of hazardous noise and enhance critical communications. The BUMED also plans to engage CNO to determine feasibility of providing training, education, and fitting hearing protective devices at accession points for new recruits and concurrently providing the same touch point for Sailors and Marines during required periodic screenings that are already in service.

In addition, the CMC shall meet the following objectives: enhance the effectiveness and efficiency of its hearing readiness, create and maintain a high standard of reporting, and ensure that USMC is complying with applicable laws and regulations safeguarding hearing readiness. USMC established policy MARAAMIN 010-12 that requires all military personnel and those civilian employees occupationally exposed to enroll in the Command's Hearing

Conservation and Readiness Program. Marines' entrance and exit from the hearing conservation program are accurately recorded and tracked in the Medical Readiness Reporting System (MRRS). To improve the medical tracking of the all personnel a software update was deployed for the MRRS that provides a real-time analysis of force medical readiness and immunization, which has a direct impact on the accessibility of hearing information. This online tool provides emails to members when their yearly DD2216 audiograms are due or overdue. The improved training and more vigilant surveillance of hearing exams is intended to yield fewer instances of hearing loss and reduced hearing loss severity; therefore, plans are in place to coordinate with the BUMED to increase their hearing evaluations by an estimate of a 62% increase from the current capacity.

<b>Targeted Correction Date</b>	<b>Detail Corrective Actions</b>	<b>Responsible Organization</b>	<b>Status</b>
2nd Qtr, FY 2012	Establish Hearing Conservation and Readiness Policy for reporting and recording, with first reports being received by HQMC in May	CMC	Complete
3rd Qtr, FY 2012	Add Hearing Conservation to the Safety Division list of AUs to be reported in the Internal Control Certification Statement	CMC	Complete
3rd Qtr, FY 2012	Inventory all areas of hazardous noise within the industrial hygiene baseline	CMC	Complete
4th Qtr, FY 2012	Establish a new policy that requires all military personnel and those civilian employee occupationally exposed to enroll in the Command's Hearing Conservation Program	CMC	Complete
1 <sup>st</sup> Qtr, FY 2014	Review current practices at Navy and USMC entry points	BUMED	In Progress
1 <sup>st</sup> Qtr, FY 2014	Beta test commercial off-the-shelf system	BUMED	In Progress
2 <sup>nd</sup> Qtr, FY 2014	Develop Hearing Protection Device (HPD) Fit testing	BUMED	In Progress
2 <sup>nd</sup> Qtr, FY 2014	Evaluate metric and refine process from Beta testing	BUMED	In Progress
2 <sup>nd</sup> Qtr, FY 2014	Draft policy statement on HPD Fit testing	BUMED	In Progress
3 <sup>rd</sup> Qtr, FY 2014	Standardize required hearing readiness training	BUMED	In Progress
3 <sup>rd</sup> Qtr, FY 2014	Submit to the flag level steering board for review and approval	BUMED	In Progress
3 <sup>rd</sup> Qtr, FY 2014	Initiate HPD test and evaluation program	BUMED	In Progress
3 <sup>rd</sup> Qtr, FY 2014	Implement HPD Fit testing	BUMED	In Progress
3 <sup>rd</sup> Qtr, FY 2014	Submit to flag level steering board for review and approval	BUMED	In Progress

Targeted Correction Date	Detail Corrective Actions	Responsible Organization	Status
4 <sup>th</sup> Qtr, FY 2015	Develop a data sharing tool for Defense Occupational and environmental Health Readiness System and Medical Readiness Reporting System	CMC	In Progress

**Title:** COMSEC

**Internal Control Reporting Category:** Communications; Intelligence; and/or Security

**Targeted Correction Date:** 3<sup>rd</sup> Qtr, FY 2014

**Description of Material Weakness:** NAVAUDSVC identified the need to improve the COR administrative procedures for reconciling and documenting DON COMSEC accounts. Of 40 Communications Security accounts reviewed, 58% of the accounts had insufficient supporting evidence of inventory reconciliation. Additionally, NAVAUDSVC found that 7.5% of the accounts were not reconciled in a timely manner. The percentage of accounts that were not reconciled in a timely manner could likely be reduced if alterations were made based on the way the accounts are assigned to the CORs. The NAVAUDSVC concluded that, overall, internal controls were not sufficient to support COMSEC equipment accountability or prevent or detect irregularities or noncompliance.

**Detailed Corrective Action Plan:** DON CIO will develop and implement a SECNAVINST that prescribes policy for managing and tracking DON COMSEC equipment accounts supporting DON contracts and implement a uniform equipment request and loan tracking system with standard operation procedures. In addition, an “all hands” training will be provided to COMSEC stakeholders on managing and tracking information pertaining to equipment request/release of equipment accounts.

Targeted Correction Date	Detail Corrective Actions	Responsible Organization	Status
1st Qtr, FY 2012	Establish NEC for COMSEC Account Managers	DON CIO	Complete
1 <sup>st</sup> Qtr, FY 2012	Reconcile Tri-Service Common Tier-1 Accounts Reconciliation consisted of researching all reported discrepancies to verify that the data transitioned correctly and to clear up any accounting irregularities that existed from the migration from a paper-based system to a total electronic system	DON CIO	Complete
3 <sup>rd</sup> Qtr, FY 2014	Develop and implement a SECNAVINST that prescribes policy for managing and tracking DON COMSEC equipment accounts supporting DON contracts	DON CIO	In Progress

Targeted Correction Date	Detail Corrective Actions	Responsible Organization	Status
3 <sup>rd</sup> Qtr, FY 2014	Develop and implement an uniform equipment request and loan tracking system, which provides a standard order of procedures and hands on training to stakeholders on the managing and tracking information on COMSEC	DON CIO	In Progress

**Title:** PII

**Internal Control Reporting Category:** Communications; Intelligence; and/or Security

**First Year Reported:** FY 2010

**Target Correction Date:** 3<sup>rd</sup> Qtr, FY 2014

**Description of Material Weakness:** NAVAUDSVC identified internal control weaknesses pertaining to PII and it included opportunities for improvement of information technology and audio-visual asset property records and inventory accountability processes at Navy Medicine West hospitals. Twenty one of the 227 sampled medical assets (9%) could not be accounted for. Projecting these results of missing assets to the sampled population estimated that 2,031 assets, worth \$2.4 million, were missing from the inventory of different locations collectively. Also, an estimate of 887 of those 2,031 assets had capacity to store patient data, and may contain PII and/or protected health information.

BUPERS and Naval Health Clinic Annapolis did not have an approved and implemented contingency plan in place to deal with an unexpected event that would interrupt their business operations, such as that which may occur if DON PII or sensitive data were to be compromised. The FY 2009 ROA Report identified Contract Practices as a high-risk area, with a potential business risk being the appropriate incorporation and enforcement of Federal Acquisition Regulation contract clauses regarding PII and information security. Ineffective contract practices, such as not including Information Assurance and PII requirements in contracts, weakens DON's ability to control how contractors safeguard DON information and PII.

**Detailed Corrective Action Plan:** SSN statistics will continue to be updated quarterly until the goal of a 10% decline in the number of high risk breaches related to SSNs for at least three continuous months is reached. DON CIO plans to create a DoD identification to replace SSN. DON will implement Phase III of the SSN Usage Reduction Plan.

Targeted Correction Date	Detail Corrective Actions	Responsible Organization	Status
1 <sup>st</sup> Qtr, FY 2012	Complete Phase II of the SSN Usage Reduction Plan. Require a review of DON systems for justification of continued SSN collection and use.	DON CIO	Complete

Targeted Correction Date	Detail Corrective Actions	Responsible Organization	Status
	Of 179 IT systems that collect the SSN, 45 have or will eliminate the SSN from collection. Review the remaining 134 systems and require to reducing or eliminating the use of the SSN.		
2 <sup>nd</sup> Qtr, FY 2012	Provide required guidance for message DTG 171625Z	DON CIO	Complete
2 <sup>nd</sup> Qtr, FY 2012	Create refresher PII training module for DON use and update annual PII awareness training	DON CIO	Complete
3 <sup>rd</sup> Qtr, FY 2014	Release DON CIO GENADMIN Policy	DON CIO	In Progress
3 <sup>rd</sup> Qtr, FY 2014	Implement Phase III of the SSN Usage Reduction Plan consists of three significant actions: (1) Commands are now authorized to use the DoD Identification (DoD ID) number, but must follow strict guidelines for is use, which will be released in the DON, (2) All official forms and IT systems, letters, memoranda, spreadsheets, hard copy lists, and electronic lists must meet the acceptable use criteria if SSNs are collected. If justification for continued use of the SSN cannot be verified, use of the SSN must be eliminated in these communications by 1 October 2015, and (3) The use of fax machines to send information containing the SSN and other PII will be prohibited as of 1 October 2012. As of this date, the sharing of SSNs using network-attached Multi-Function Devices (MFDs) and scanner “scan to e-mail” functionality will be prohibited unless the sender can verify the intended recipient(s) is/are authorized access to the scanned file and the MFD or scanner being used can encrypt the e-mail message containing the scanned file.	DON CIO	In Progress

**Title:** EVM

**Internal Control Reporting Category:** Acquisition

**Targeted Correction Date:** 2<sup>nd</sup> Qtr, FY 2014

**Description of Material Weakness:** Through a series of audits in previous years, the NAVAUDSVC identified systemic weaknesses associated with the implementation and oversight of EVM within DON. While progress has been made to correct EVM weaknesses in

DON, the implementation and use of EVM to manage Navy acquisition programs continues to be an internal control weakness within DON, particularly within shipbuilding programs.

DON did not have adequate oversight and application of EVM across its shipbuilding programs. Through a series of audits, NAVAUDSVC found that DON shipbuilding contractors' EVM systems were mostly noncompliant with DoD guidelines. Material internal control weaknesses continue to exist because shipbuilding program managers and contractors are not using EVM systems to manage major weapons systems procurement actions. Additionally, the Supervisor of Shipbuilding (SUPSHIP), Conversion and Repair have not been effectively overseeing shipbuilding contractor implementation of EVM.

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. EVM is required on all non-Firm-Fixed-Price contracts over \$20 million. EVM is usually applied during the development and early production phases. Both the contractor and government have EVM responsibilities.

**Detailed Corrective Action Plan:** Since these material weaknesses continue to exist, the DON has been working to address the EVM material internal control weaknesses within shipbuilding programs. As of October 2012, the SUPSHIP, Conversion and Repair completed their plans for adjusting staffing priorities and oversight processes to address EVM issues. Also, the ASN (RD&A) and NAVSEA teams completed actions for creating and deploying program office team training. In January 2013, ASN (RD&A) and NAVSEA completed tasks for creating and deploying training geared towards EVM analysts. The remaining major action is issuance of the updated NAVSEA Instruction 7000.4H. This action affects multiple milestones that will be closed upon issuance.

Targeted Correction Date	Detail Corrective Actions	Responsible Organization	Status
4 <sup>th</sup> Qtr, FY 2012	Establish formal agreement between DON and DCMA to support standardizing EVM data and processes	ASN (RD&A)	Complete
4 <sup>th</sup> Qtr, FY 2012	Develop and deploy EVM team training for program offices	ASN (RD&A)	Complete
4 <sup>th</sup> Qtr, FY 2012	Implement EVM surveillance to support annual report of contractor compliance to the American National Standards Institute (ANSI) Standard compliance to the ANSI Standard	ASN (RD&A)	Complete
2 <sup>nd</sup> Qtr, FY 2013	Develop and deploy EVM analyst training curriculum	ASN (RD&A)/ NAVSEA	Complete
1 <sup>st</sup> Qtr, FY 2014	Implement recommended changes for centralization of EVM process ownership and consistent EVM support for NAVSEA shipbuilding programs, SUPSHIP, Conversion, and Repair (staffing levels,	ASN (RD&A)/ NAVSEA	In Progress

Targeted Correction Date	Detail Corrective Actions	Responsible Organization	Status
	EVM oversight processes, and shipbuilding program office capability and support		
2 <sup>nd</sup> Qtr, FY 2014	Attain NAVSEA shipbuilding EVM policy compliance with target	ASN (RD&A)/ NAVSEA	In Progress



DEPARTMENT OF THE NAVY  
OFFICE OF THE ASSISTANT SECRETARY  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
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7000  
Ser FMO-4/88  
16 July 2013

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

REFERENCE: Office of the Under Secretary of Defense, Memorandum dated 3 May 2012,  
*Internal Control over Financial Reporting and Financial Systems Statement of Assurance  
Reporting Requirements*

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 2013 Financial Improvement and Audit Readiness (FIAR) Plan Status Report*. The *May 2013 FIAR Plan Status Report* provides information pertaining to the DON's accomplishments and identifies the schedule for the DON's FIP assessable units that are currently under evaluation.

The assessment was conducted in compliance with the *Office of Management and Budget (OMB) Circular No. A-123, Appendix A, and the March 2013 Department of Defense (DoD) Financial Improvement and Audit Readiness (FIAR) Guidance*, under the oversight of the Navy's Senior Assessment Team (SAT). The DON's SAT is designated to provide oversight in maintaining complete records of the assessment documentation. Based on the results of this assessment, the DON is able to provide a qualified statement of assurance (one or more material weaknesses are being reported) that the internal control over financial reporting assessable units as of June 30, 2013 were operating effectively with the exception of 22 material weaknesses noted below.

The DON also conducted an internal review on the effectiveness of Internal Controls over Financial Systems (ICOFS) for nine of 70 DON owned Information Technology (IT) systems. For the nine IT systems the DON is able to provide a qualified statement of assurance that the ICOFS as of June 30, 2013, is in compliance with the *Federal Financial Management Improvement Act and OMB Circular A-127* with the exception of the one nonconformance noted below.

The DON also asserts that the material weaknesses identified below and related corrective actions included in Attachment 1, are supported by the details included in the DON's Integrated Plan of Action and Milestones (POAM), Section 1, *Our Financial Environment*.

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

**Material Weaknesses**

*Existence and Completeness*

- *General Equipment (GF & NWCF)* September 2017
- *Inventory (NWCF)* September 2017
- *Military Equipment Assets (GF)* September 2017
- *Operating Materials & Supplies (GF)* September 2017
- *Real Property Assets (GF & NWCF)* September 2017

*Reimbursable Work Orders – Grantor and Performer*

- *Post Collection and Post Disbursement Validation* September 2013
- *Year End Accruals* June 2014
- *Triannual Review* December 2014
- *Trading Partner Number Reconciliation* September 2016

*Contract Vendor Pay*

September 2013

*Financial Statement Compilation and Reporting*

September 2013

*Military Standard Requisitioning and Issue Procedures*

- *Shipyard Key Supporting Documentation* September 2013
- *Visual Inter-fund System Transaction Accountability* September 2013
- *Unliquidated Obligations* September 2013

*Reimbursable Work Orders – Performer*

September 2013

- *Unmatched Collections*

*Transportation of Things*

- *Transportation Access Code Authorization and Validation* September 2014
- *Access to Key Supporting Documentation* September 2014
- *Standardization of System and Data Requirements* September 2014

**Nonconformance**

*Financial Systems*

September 2014

**Corrected Material Weaknesses / Nonconformances**

*Fund Balance with Treasury (GF)*

April 2013

*Reimbursable Work Orders – Grantor and Performer*

January 2013

*with the exception of the following processes: Post Collection and Post Disbursement Validation, Year End Accrual, Triannual Review, and Trading Partner Number Reconciliation*

*Transportation of People*

June 2012



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

Attachment:  
As Stated



DEPARTMENT OF THE NAVY  
HEADQUARTERS UNITED STATES MARINE CORPS  
3000 MARINE CORPS PENTAGON  
WASHINGTON, DC 20350-3000

JUL 17 2013

IN REPLY REFER TO  
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MEMORANDUM FOR CHAIR, DEPARTMENT OF THE NAVY SENIOR ASSESSMENT TEAM

Subj: UNITED STATES MARINE CORPS INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND FINANCIAL SYSTEMS STATEMENT OF ASSURANCE FOR  
FISCAL YEAR 2013

Ref: (a) Office of Management and Budget (OMB) Circular No. A-123,  
Appendix A  
(b) SECNAVINST 5200.35E, Department of the Navy (DON) Managers'  
Internal Control (MIC) Program

Encl: (1) Summaries of Corrective Action Plans

1. The U.S. Marine Corps conducted an internal review of the effectiveness of the Marine Corps' internal control over financial reporting and financial systems. This review aimed to support Department of the Navy (DON) Financial Improvement and Audit Readiness (FIAR) objectives by targeting specific evaluations that strengthen the integrated objectives of the DON and the Marine Corps' approach to audit compliance.

2. The assessment was conducted in compliance with Office of Management and Budget (OMB) Circular No. A-123, Appendix A under the oversight of the Marine Corps Senior Assessment Team (SAT). The Marine Corps SAT is designated to provide oversight in maintaining complete records of the assessment documentation. Based on the results of this assessment, the Marine Corps is able to provide a qualified statement of assurance that the internal control over financial reporting assessable units as of June 30, 2013, were operating effectively with the exception of the material weakness areas noted in paragraph 4 below.

3. The Marine Corps also conducted a limited internal review of the effectiveness of internal control for four financial systems: Global Combat Supply System - Marine Corps (GCSS-MC), Marine Corps Permanent Duty Travel (MCPDT), Purchase Request Builder (PR Builder), and Marine Corps Total Force System (MCTFS). Additionally, financial system reviews comprised analyses accomplished in support of the Fiscal Year (FY) 2012 Schedule of Budgetary Activity audit, with observations from the FY 2010 and FY 2011 Statement of Budgetary Resources audits. The Department of Defense Office of the Inspector General (DoD OIG) characterized their findings (in aggregate) as a material weakness in Financial Management Systems. The Marine Corps is able to provide a qualified statement of assurance that the internal controls over the financial systems as of June 30, 2013, are in compliance with the

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Federal Financial Management Improvement Act and OMB Circular A-127 with the exception of the nonconformance areas noted in paragraph 4 below.

4. Material Weaknesses/Nonconformance(s):

Financial Reporting

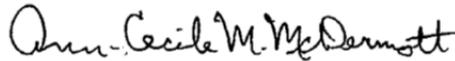
Military Equipment Assets	September 2014
Real Property Assets	September 2014
Contracts	September 2015

Financial Systems

Standard Accounting, Budgeting and Reporting System (SABRS)	March 2015
Marine Corps Total Force System (MCTFS)	September 2013
Defense Departmental Reporting System (DDRS)	September 2015
Defense Cash Accountability System (DCAS)	September 2014

5. Corrected Material Weaknesses/Nonconformance(s):  
None

6. If you have any questions, please contact Mr. Raul Rosado at 703-604-0263 or by e-mail at [raul.rosado1@usmc.mil](mailto:raul.rosado1@usmc.mil).

  
Ann-Cecile M. McDermott  
Chair, U.S. Marine Corps  
Senior Assessment Team

**TAB E**

**DON Assessment of Internal Control over Acquisition Functions**

<b>Cornerstones</b>	<b>Control Environment</b> (What are the standards or objectives that set the tone or provide the discipline and structure?)	<b>Risk Assessment</b> (What are the relevant risks to properly implementing the standards or objectives?)	<b>Control Activities</b> (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	<b>Monitoring</b> (What monitoring activities or separate evaluations are in place to assess performance over time?)
<p><b>Organizational Alignment and Leadership</b></p> <ul style="list-style-type: none"> <li>▪ Aligning Acquisition with Agency Mission and Needs</li> <li>▪ Commitment from Leadership</li> </ul>	<p><b>Streamlined and Effective Management</b></p> <p>Responsibility for the acquisition of systems shall be decentralized to the maximum extent practicable. The MDA shall provide a single individual with sufficient authority to accomplish MDA approved program objectives.</p>	<p><b>Risk Area A</b></p> <p>Accountability in program execution as directed by the MDA. Credibility in cost and schedule reporting due to contractors/vend or providing unrealistic cost and schedule estimates. Unforeseen technical problems. Price increases for specialty metals.</p>	<p><b>SECNAVINST 5430.7Q Section 7.b.(2)(g)</b></p> <p>Establish policy, procedures and oversight of competition, product &amp; procurement integrity &amp; accountability &amp; viability of the defense industrial base.</p>	<p>ASN (RD&amp;A) has established a DASN (AP) who serves as the DON Competition Advocate General. DASN (AP) is directly responsible and accountable to ASN (RD&amp;A).</p>
<p><b>Organizational Alignment and Leadership</b></p> <ul style="list-style-type: none"> <li>▪ Aligning Acquisition with Agency Mission and Needs</li> <li>▪ Commitment from Leadership</li> </ul>	<p><b>Streamlined and Effective Management</b></p> <p>Responsibility for the acquisition of systems shall be decentralized to the maximum extent practicable. The</p>	<p><b>Risk Area A</b></p> <p>Accountability in program execution as directed by the MDA. Credibility in cost and schedule reporting due to contractors/vend</p>	<p><b>SECNAVINST 5430.7Q Section 7.b.(2)(l)</b></p> <p>Provide oversight to ensure new &amp; upgraded system supportability and sustainment capabilities.</p>	<p>The Secretary of Defense has required that the Military Department's Secretaries designate a single civilian official, at the Assistant Secretary-level within each Military Department, as the SAE with full-</p>

<b>Cornerstones</b>	<b>Control Environment</b> (What are the standards or objectives that set the tone or provide the discipline and structure?)	<b>Risk Assessment</b> (What are the relevant risks to properly implementing the standards or objectives?)	<b>Control Activities</b> (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	<b>Monitoring</b> (What monitoring activities or separate evaluations are in place to assess performance over time?)
	MDA shall provide a single individual with sufficient authority to accomplish MDA approved program objectives.	or providing unrealistic cost and schedule estimates. Unforeseen technical problems. Price increases for specialty metals.		time responsibility for all Service acquisition functions. ASN (RD&A), as the DON SAE, is directly responsible and accountable to SECNAV for the execution of responsibilities associated with program development, execution, and sustainment (in conjunction with OPNAV (N4).
<b>Organizational Alignment and Leadership</b> <ul style="list-style-type: none"> <li>▪ Aligning Acquisition with Agency Mission and Needs</li> <li>▪ Commitment from Leadership</li> </ul>	<b>Streamlined and Effective Management</b> Responsibility for the acquisition of systems shall be decentralized to the maximum extent practicable. The MDA shall provide a single individual with sufficient authority to accomplish MDA approved	<b>Risk Area A</b> Accountability in program execution as directed by the MDA. Credibility in cost and schedule reporting due to contractors/vend or providing unrealistic cost and schedule estimates. Unforeseen technical problems. Price	<b>SECNAVINST 5430.7Q Section 7.b.(2)(s)</b> Supervise PEOs and DRPMs.	SECNAVINST 5400.15C assigns responsibility to CNO and CMC for determining requirements and establishing the relative priority of those requirements, and for OT&E. DON requirements determination, review, and approval are accomplished through OPNAV's NCB and Resources, Requirements, and Review Board

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	program objectives.	increases for specialty metals.		Annual CSBs provide monitoring and oversight or requirements stability and cost-trade benefits to curtail requirements growth.
<b>Organizational Alignment and Leadership</b> <ul style="list-style-type: none"> <li>▪ Aligning Acquisition with Agency Mission and Needs</li> <li>▪ Commitment from Leadership</li> </ul>	<b>Streamlined and Effective Management Responsibility</b> for the acquisition of systems shall be decentralized to the maximum extent practicable. The MDA shall provide a single individual with sufficient authority to accomplish MDA approved program objectives.	<b>Risk Area A Accountability</b> in program execution as directed by the MDA. Credibility in cost and schedule reporting due to contractors/vendors or providing unrealistic cost and schedule estimates. Unforeseen technical problems. Price increases for specialty metals.	<b>SECNAVINST 5400.15C Section 4.b.</b> The Secretary of Defense has required that the Secretaries of the Military Departments designate a single civilian official, at the Assistant Secretary-level within each Military Department, as the SAE with full-time responsibility for all Service acquisition functions. ASN (RD&A) is the Naval Acquisition Executive (NAE) for	The Secretary of Defense has required that the Military Department Secretaries designate a single civilian official, at the Assistant Secretary-level within each Military Department, as the SAE with full-time responsibility for all Service acquisition functions. ASN (RD&A) as the DON SAE is directly responsible and accountable to SECNAV for the execution of responsibilities associated with program development, execution, and sustainment (in conjunction with OPNAV N4).

<b>Cornerstones</b>	<b>Control Environment</b> (What are the standards or objectives that set the tone or provide the discipline and structure?)	<b>Risk Assessment</b> (What are the relevant risks to properly implementing the standards or objectives?)	<b>Control Activities</b> (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	<b>Monitoring</b> (What monitoring activities or separate evaluations are in place to assess performance over time?)
			DON. The NAE has full responsibility for all DON acquisition programs through PEOs, DRPMs, or SYSCOM Commanders.	
<b>Policies and Processes</b> <ul style="list-style-type: none"> <li>▪ Planning Strategically</li> <li>▪ Effectively Managing the Acquisition Process</li> <li>▪ Promoting Successful Outcomes of Major Projects</li> </ul>	<b>Collaboration</b> The DoD acquisition, capability needs, and financial communities, and operational users shall maintain continuous and effective communications with each other by using IPTs. Teaming among warfighters, users, developers, acquirers, technologists, testers, budgeters, and sustainers shall begin during capability needs	<b>Risk Area C</b> Delays in getting the program executed; possible cancellation.	<b>SECNAVINST 5000.2E Section 1.11.3</b> The Two-Pass/Six-Gate review process will be implemented in an integrated, collaborative environment that includes participation by appropriate elements from the Office of the SECNAV, OPNAV, HQMC, and activities involved in developing Joint Capabilities Integration and Development	The Two-Pass/Six-Gate process will be implemented in an integrated and collaborative environment that includes participation by SECNAV, OPNAV, HQMC, and activities involved in developing JCIDS and acquisition documents. SECNAVINST 5000.2E.

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	definition. MDAs and PMs are responsible for making decisions and leading execution of their programs and are accountable for results (Ref. DoD Directive (DoDD) 5000.01, E1.2).		System (JCIDS) and acquisition documents. The process applies to all pre- Major Defense Acquisition Program (MDAP) programs, all MDAP (ACAT I) programs, all pre-Major Automated Information System (MAIS) programs, all MAIS (ACAT IA) programs, and selected ACAT II programs as determined by CNO (N8) or Deputy Commandant, Combat Development and Integration (CD&I) and ASN(RD&A). The Gate Reviews themselves and Service	

<b>Cornerstones</b>	<b>Control Environment</b> (What are the standards or objectives that set the tone or provide the discipline and structure?)	<b>Risk Assessment</b> (What are the relevant risks to properly implementing the standards or objectives?)	<b>Control Activities</b> (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	<b>Monitoring</b> (What monitoring activities or separate evaluations are in place to assess performance over time?)
			milestone PDMs or PRs should be combined when appropriate as determined by the SECNAV, CNO, CMC, or designee. If Gate Reviews and PDMs or PRs are combined, the acquisition requirements of DoDI 5000.02 and NDAA (section 332), and this instruction, including statutory and regulatory documentation, shall be satisfied and an Acquisition Decision Memorandum (ADM) shall be issued by the MDA. Gate Reviews satisfy the Program Support Review	

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			risk assessment requirement of DoDI 5000.02.	
<b>Policies and Processes</b> <ul style="list-style-type: none"> <li>▪ Planning Strategically</li> <li>▪ Effectively Managing the Acquisition Process</li> <li>▪ Promoting Successful Outcomes of Major Projects</li> </ul>	<b>Collaboration</b> The DoD acquisition, capability needs, financial communities, and operational users shall maintain continuous and effective communications with each other by using IPTs. Teaming among warfighters, users, developers, acquirers, technologists, testers, budgeters, and sustainers shall begin during capability needs definition. MDAs and PMs are responsible for making decisions and leading execution of	<b>Risk Area C</b> Delays in getting the program executed; possible cancellation.	<b>SECNAVINST 5000.2E Section 1.11.4.4.2</b> Principal members are Vice CNO (VCNO), Assistant Commandant Marine Corps (ACMC), ASN(RD&A), ASN (FM&C), Director Naval Nuclear Propulsion Program (N00N) as required, Principal Deputy ASN (RD&A), DCNO (N1, N2, N3/N5, N4, N6, N8), Deputy Commandant for Programs and Resources (Deputy Commandant for P&R), Deputy	Principal members of Gate Reviews include, but are not limited to, VCNO, ACMC, ASN (RD&A), ASN (FM&C), Director Naval Nuclear Propulsion Program (N00N) as required, Principal Military Deputy Assistant Secretary of the Navy, DCNO (N1 Manpower and Training, N2 Intelligence, N3/5 Information and Strategy, N4 Fleet Readiness and Logistics, N6 Communication Networks, N8 Integration of Capabilities and Resources), Deputy Commandant for Programs and Resources, Deputy Commandant CD&I, Warfare Enterprise Lead or Deputy,

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	their programs and are accountable for results. (Ref. DoDD 5000.01, E1.2).		Commandant CD&I, Warfare Enterprise Lead and/or Deputy, United States Fleet Forces (USFF) / Marine Forces (MARFOR), and cognizant SYSCOM Commander. The Chair shall determine the final membership for each Gate review. However, the principal members may request attendance by other relevant commands. These members may include DON CIO, CNR, HQMC (Deputy Commandant for Aviation, Deputy Commandant for Manpower	USFF/MARFOR, and cognizant SYSCOM Commander.

<b>Cornerstones</b>	<b>Control Environment</b> (What are the standards or objectives that set the tone or provide the discipline and structure?)	<b>Risk Assessment</b> (What are the relevant risks to properly implementing the standards or objectives?)	<b>Control Activities</b> (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	<b>Monitoring</b> (What monitoring activities or separate evaluations are in place to assess performance over time?)
			and Reserve Affairs (Deputy Commandant for M&RA), Director Intel, Deputy Commandant for PP&O, Deputy Commandant for Installations and Logistics, Director C4/CIO), and cognizant PEO. Attendance is limited to Principal or Deputy at the Flag/General Officer/Senior Executive Service level plus one.	

<b>Cornerstones</b>	<b>Control Environment</b> (What are the standards or objectives that set the tone or provide the discipline and structure?)	<b>Risk Assessment</b> (What are the relevant risks to properly implementing the standards or objectives?)	<b>Control Activities</b> (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	<b>Monitoring</b> (What monitoring activities or separate evaluations are in place to assess performance over time?)
<b>Human Capital</b> <ul style="list-style-type: none"> <li>▪ Valuing and Investing in the Acquisition Workforce</li> <li>▪ Strategic Human Capital Planning</li> <li>▪ Acquiring, Developing, and Retaining Talent</li> <li>▪ Creating Results-Oriented Organizational Cultures</li> </ul>	<b>Professional Workforce</b> The DoD shall maintain a fully proficient acquisition, technology, and logistics workforce that is flexible and highly skilled across a range of management, technical, and business disciplines. To ensure this, the OUSD (AT&L) shall establish education, training, and experience standards for each acquisition position based on the level of complexity of duties carried out in that position (Ref. DoDD 5000.01, E1.19).	<b>Risk Area BQ</b> Insufficiently trained/skilled workforce required to develop, plan, structure, execute, manage, and sustain Acquisition programs.	<b>NDA 2008, Section 852</b> Direct the establishment of the Defense Acquisition Workforce Development Fund.	Defense Acquisition Workforce Improvement Act (DAWIA) Requirements are specified for each billet and monitored by Competency Leaders.

<b>Cornerstones</b>	<b>Control Environment</b> (What are the standards or objectives that set the tone or provide the discipline and structure?)	<b>Risk Assessment</b> (What are the relevant risks to properly implementing the standards or objectives?)	<b>Control Activities</b> (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	<b>Monitoring</b> (What monitoring activities or separate evaluations are in place to assess performance over time?)
<p><b>Human Capital</b></p> <ul style="list-style-type: none"> <li>▪ Valuing and Investing in the Acquisition Workforce</li> <li>▪ Strategic Human Capital Planning</li> <li>▪ Acquiring, Developing, and Retaining Talent</li> <li>▪ Creating Results-Oriented Organizational Cultures</li> </ul>	<p><b>Professional Workforce</b></p> <p>The DoD shall maintain a fully proficient acquisition, technology, and logistics workforce that is flexible and highly skilled across a range of management, technical, and business disciplines. To ensure this, the OUSD (AT&amp;L) shall establish education, training, and experience standards for each acquisition position based on the level of complexity of duties carried out in that position (Ref. DoDD 5000.01, E1.19).</p>	<p><b>Risk Area BQ</b></p> <p>Insufficiently trained/skilled workforce required to develop, plan, structure, execute, manage, and sustain Acquisition programs.</p>	<p><b>Defense Acquisition Workforce Development Fund, dated 28 Jan 2008</b></p> <p>This fund is to provide funds in addition to other funds available for recruitment, training, and retention to ensure the acquisition workforce has the personnel and skills to perform its mission, provide oversight of contractor performance, and ensure the DON receives the best value for the expenditure of public resources.</p>	<p>DAWIA</p> <p>Requirements are specified for each billet and monitored by Competency Leaders.</p>

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<b>Human Capital</b> <ul style="list-style-type: none"> <li>▪ Valuing and Investing in the Acquisition Workforce</li> <li>▪ Strategic Human Capital Planning</li> <li>▪ Acquiring, Developing, and Retaining Talent</li> <li>▪ Creating Results-Oriented Organizational Cultures</li> </ul>	<b>Professional Workforce</b> The DoD shall maintain a fully proficient acquisition, technology, and logistics workforce that is flexible and highly skilled across a range of management, technical, and business disciplines. To ensure this, the OUSD (AT&L) shall establish education, training, and experience standards for each acquisition position based on the level of complexity of duties carried out in that position (Ref. DoDD 5000.01, E1.19).	<b>Risk Area BQ</b> Insufficiently trained/skilled workforce required to develop, plan, structure, execute, manage, and sustain Acquisition programs.	<b>Recruitment</b> Utilization of the various programs to bring in and retain a qualified workforce and training. i.e. Naval Acquisition Intern Program, Wounded Warrior Program, DON Journeyman Internship, Naval Shipyard Apprenticeship, etc.	DAWIA Requirements are specified for each billet and monitored by Competency Leaders.
<b>Information Management &amp; Stewardship</b> <ul style="list-style-type: none"> <li>▪ Identifying</li> </ul>	<b>IA</b> Acquisition managers shall address IA	<b>Risk Area V</b> Low - Potential for some areas to be overlooked	<b>SECNAVINST 5000.2E</b> This instruction is to issue	SETRs: designated Technical Authority (TA) works with the program team during

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<p>Data and Technology that Support Acquisition Management Decisions</p> <ul style="list-style-type: none"> <li>▪ Safeguarding the Integrity of Operations and Data</li> </ul>	<p>requirements for all weapon systems; Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance systems; and IT programs that depend on external information sources or provide information to other DoD systems. DoD policy for IA of IT, including National Security Systems (NSS), appears in DoDD 8500.01E (Ref. DoDD 5000.01, E1.9).</p>	<p>due to the complexity and number of standards and policies. Also, potential for inconsistencies across the policies. This is being minimized via early and continued engagement throughout the lifecycle of Technical Authority and SMEs via the Naval Systems Engineering Technical Review (SETR) process (Chief Systems Engineer (CHSENG)).</p>	<p>mandatory procedures for DON implementation of DoDD 5000.01, DoDI 5000.02, Chairman of the Joint Chiefs Staff Instruction (CJCSI) 3170.01G, Manual for the Operation of the Joint Capabilities Integration and Development System for major and non-major defense acquisition programs and major and non-major IT acquisition programs.</p>	<p>design maturation and evolving life cycle phases by guiding through the standards, objectives, policies, and processes. Via the SETR process, TAs validate that the problem solving methods have occurred, technical risks have been identified, mitigation plans are in place and implemented, and monitoring of technical risks is ongoing (CHSENG).</p>
<p><b>Information Management &amp; Stewardship</b></p> <ul style="list-style-type: none"> <li>▪ Identifying Data and Technology</li> </ul>	<p><b>IA</b> Acquisition managers shall address IA requirements for all weapon</p>	<p><b>Risk Area W</b> Requirements may not be clearly articulated in the Request for</p>	<p><b>SECNAVINST 5000.2E Section 2.4.6.4</b> IA requirements shall be identified and</p>	<p>IA Strategy (at Mile Stone A) Program Initiation for Ships, Milestone B, Milestone C, Fleet Response Plan (FRP)</p>

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<p>that Support Acquisition Management Decisions</p> <ul style="list-style-type: none"> <li>▪ Safeguarding the Integrity of Operations and Data</li> </ul>	<p>systems; Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance systems; and IT programs that depend on external information sources or provide information to other DoD systems. DoD policy for IA of IT, including NSS, appears in DoDD 8500.01E (Ref. DoDD 5000.01, E1.9).</p>	<p>Proposals. Resource Constraints/Competing Resources. Unavailability of expertise within the Program Office (NAVSEA).</p>	<p>included in the design, acquisition, installation, operation, upgrade, and replacement of all DON information systems per section 2224 of title 10, United States Code, OMB Circular A-130, and reference (a). PMs shall develop an acquisition IA strategy and summarize the acquisition IA strategy in the program's overall acquisition strategy.</p>	<p>DR or equivalent); prepared by PM, approved by DON CIO (ACAT I/IA/II) Command Information Operations (ACAT III/IV) (CHSENG).</p>
<p><b>Information Management &amp; Stewardship</b></p> <ul style="list-style-type: none"> <li>▪ Identifying Data and Technology that Support Acquisition</li> </ul>	<p><b>IA</b> Acquisition managers shall address IA requirements for all weapon systems, Command,</p>	<p><b>Risk Area X</b> Improperly implementing standards and objectives could result in loss or release of relevant</p>	<p><b>SECNAVINST 5000.2E Section 3.4 IA</b> PMs are responsible for ensuring that security requirements are</p>	<p>Clinger-Cohen Act Compliance (all IT - including NSS programs) (at Milestone A Program Initiation for Ships, Milestone B, Milestone C, FRP</p>

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<p>Management Decisions</p> <ul style="list-style-type: none"> <li>▪ Safeguarding the Integrity of Operations and Data</li> </ul>	<p>Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance systems, and IT programs that depend on external information sources or provide information to other DoD systems. DoD policy for IA of IT, including NSS, appears in DoDD 8500.01E (Ref. DoDD 5000.01, E1.9).</p>	<p>data/information .</p>	<p>addressed as part of the acquisition program. The PM shall develop, procure, and manage information systems, throughout the life-cycle of the program using appropriate DoD approved IA controls and processes.</p>	<p>DR or Equivalent); prepared by PM, approved by DoD CIO (ACAT IA), DON CIO (ACAT I/IA/II), Command IO (ACAT III/IV). (CHSENG)</p>

<b>Cornerstones</b>	<b>Control Environment</b> (What are the standards or objectives that set the tone or provide the discipline and structure?)	<b>Risk Assessment</b> (What are the relevant risks to properly implementing the standards or objectives?)	<b>Control Activities</b> (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	<b>Monitoring</b> (What monitoring activities or separate evaluations are in place to assess performance over time?)
<b>Information Management &amp; Stewardship</b> <ul style="list-style-type: none"> <li>▪ Identifying Data and Technology that Support Acquisition Management Decisions</li> <li>▪ Safeguarding the Integrity of Operations and Data</li> </ul>	<b>IA</b> Acquisition managers shall address IA requirements for all weapon systems, Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance systems, and IT programs that depend on external information sources or provide information to other DoD systems. DoD policy for IA of IT, including NSS, appears in DoDD 8500.01E (Ref. DoDD 5000.01, E1.9).	<b>Risk Area X</b> Improperly implementing standards and objectives could result in loss or release of relevant data/information .	<b>CJCSI 6212.01F</b> This instruction is to: <ol style="list-style-type: none"> <li>a. Establish policies and procedures for developing, coordinating, reviewing, and approving IT and NSS Interoperability and Supportability (I&amp;S) needs.</li> <li>b. Establish procedures to perform I&amp;S Certification of JCIDS ACAT programs/systems</li> <li>c. Establish procedures to perform I&amp;S Certification of Information Support Plans (ISPs) and Tailored ISPs for all ACAT, non-ACAT and fielded</li> </ol>	Information Support Plan (at Program Initiation for Ships, Milestone B and C); prepared by PM, approved by PEO/SYSCOM/DRP M, or designee.

<b>Cornerstones</b>	<b>Control Environment</b> (What are the standards or objectives that set the tone or provide the discipline and structure?)	<b>Risk Assessment</b> (What are the relevant risks to properly implementing the standards or objectives?)	<b>Control Activities</b> (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	<b>Monitoring</b> (What monitoring activities or separate evaluations are in place to assess performance over time?)
			programs/systems d. Define the five elements of the Net-Ready Key Performance Parameter (NR-KPP). e. Provide guidance for NR-KPP development and assessment. f. Establish procedures for the Joint Interoperability Test Command Joint Interoperability Test Certification. g. Add the requirement from Joint Requirements Oversight Council Memorandum 010-08, 14 January 2008, "Approval to Incorporate Data and	

<b>Cornerstones</b>	<b>Control Environment</b> (What are the standards or objectives that set the tone or provide the discipline and structure?)	<b>Risk Assessment</b> (What are the relevant risks to properly implementing the standards or objectives?)	<b>Control Activities</b> (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	<b>Monitoring</b> (What monitoring activities or separate evaluations are in place to assess performance over time?)
			Service Exposure Criteria into the Interoperability and Supportability Certification Process” for reporting of data and service exposure information as part of I&S submissions.	
<b>Information Management &amp; Stewardship</b> <ul style="list-style-type: none"> <li>▪ Identifying Data and Technology that Support Acquisition Management Decisions</li> <li>▪ Safeguarding the Integrity of Operations and Data</li> </ul>	<b>IA</b> Acquisition managers shall address IA requirements for all weapon systems, Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance systems, and IT programs that depend on external information sources or provide	<b>Risk Area X</b> Improperly implementing standards and objectives could result in loss or release of relevant data/information .	<b>DON CIO Platform IT Policy Memorandum</b> This memorandum is to establish the DON IA Platform IT (PIT) and to establish guidance for implementing the DON Platform IT IA Guidance. This instruction manual advises the whole DON on process implementation	MDA at Acquisition Review Boards for Milestones A, B, C and FRP DR (as applicable). (NAVSEA)

<b>Cornerstones</b>	<b>Control Environment</b> (What are the standards or objectives that set the tone or provide the discipline and structure?)	<b>Risk Assessment</b> (What are the relevant risks to properly implementing the standards or objectives?)	<b>Control Activities</b> (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	<b>Monitoring</b> (What monitoring activities or separate evaluations are in place to assess performance over time?)
	information to other DoD systems. DoD policy for IA of IT, including NSS, appears in DoDD 8500.01E (Ref. DoDD 5000.01, E1.9).		to ensure that PIT systems have appropriate IA capabilities, and that the IA objectives are documented and validated. This document also provides policy and guidance for incorporating IA into PIT for the DON.	

## **Appendix A**

### **Points of Contact**

The DON points of contact for the MICP and issues dealing with Material Weaknesses reported in the DON's FY 2013 FMFIA SOA are:

- Mr. Dennis Taitano, DASN (FO). Mr. Taitano may be reached at (202) 685-6701, or by email at [dennis.taitano@navy.mil](mailto:dennis.taitano@navy.mil).
- Ms. Erica Gaddy, ASN (FM&C)/FMO. Ms. Gaddy may be reached at (202) 685-0791, DSN 352-0791, or by email at [erica.gaddy@navy.mil](mailto:erica.gaddy@navy.mil).
- Mr. Gerald Robinson, ASN (FM&C)/FMO. Mr. Robinson may be reached at (202) 685-0785, DSN 352-0785, or by email at [gerald.l.robinson1@navy.mil](mailto:gerald.l.robinson1@navy.mil).

## Appendix B

### List of Acronyms

Acronym	Title
ACA	Annual Cost Authority
ACAT	Acquisition Category
ACMC	Assistant Commandant Marine Corps
AICPA	American Institute of Public Accountants
AIS	Automated Information Systems
AJE	Adjusting Journal Entries
ANSI	American National Standards Institute
AOR	Area of Responsibility
ARC	Audit Response Center
ARSC	Audit Readiness Steering Committee
ASN (EI&E)	Assistant Secretary of the Navy (Energy, Installations, and Environment)
ASN (FM&C)	Assistant Secretary of the Navy (Financial Management and Comptroller)
ASN (RD&A)	Assistant Secretary of the Navy (Research, Development and Acquisition)
ASR	Accounting System of Record
AU	Assessable Unit
AUDGEN	Audit General of The Navy
BAM	Business Activity Monitoring
BEx	Business Explorer
BOCS	Budget Object Class System
BOS	Base Operating Support
BPS	Business Process Standardization
BSO	Budget Submitting Office
BUMED	Bureau of Medicine and Surgery
BUPERS	Bureau of Naval Personnel
BW	Business Warehouse
C4	Command of Control, Communications, and Computers
C4I	Command, Control, Communications, Computers and Intelligence
CAP	Corrective Action Plan
CBRN	Chemical, Biological, Radiological and Nuclear
CBRNE	Chemical, Biological, Radiological, Nuclear and High-yield Explosives
CBRNE IPP	Chemical Biological Radiological Nuclear and High-yield Explosive Integrated Protection Program
CD&I	Combat Development and Integration
CFC	Combined Federal Campaign
CFMS	Command Financial Management System
CFR	Code of Federal Regulations
CHINFO	Chief of Information

<b>Acronym</b>	<b>Title</b>
CHSENG	Chief Systems Engineer
CIO	Chief Information Officer
CIVPAY	Civilian Pay
CJCSI	Chairman of the Joint Chiefs of Staff Instruction
CKMS	Congressional Knowledge Management System
CLA	Component Level Adjustments
CMC	Commandant of the Marine Corps
CNIC	Commander, Navy Installations Command
CNO	Chief of Naval Operations
CNRSE	Commander, Navy Region Southeast
CNRSW	Commander, Navy Region Southwest
CO	Commanding Officer
CoIPS	Community of Interest Portal Site
COMOPTEVFOR	Commander, Operational Test and Evaluation Force
COMSEC	Communications Security
COR	Contracting Officer's Representative
CORT	Contracting Officer's Representative Tracking
CPARS	Contractor Performance Assessment Reporting System
CPI	Continuous Performance Improvement
CR	Continuing Resolution
CRT	Cash Receipt Ticker
CSBs	Configuration Steering Boards
CTO	Commercial Travel Office
DASN (AP)	Deputy Assistant Secretary of the Navy for Acquisition and Procurement
DASN (FO)	Deputy Assistant Secretary of the Navy (Financial Operations)
DAWIA	Defense Acquisition Workforce Improvement Act
DCAS	Defense Cash Accountability System
DCMA	Defense Contract Management Agency
DCNO	Deputy Chief of Naval Operations
DCO	Defense Connect Online
DCPDS	Defense Civilian Personnel Data System
DDRS	Defense Data Repository System
DDRS-AFS	Defense Data Repository System – Audited Financial Statement
DDRS-B	Defense Data Repository System – Budget
DECKPLATE	Decision Knowledge Programming for Logistics Analysis and Technical Evaluation
DFARS	Defense Acquisition Regulations Supplement
DFAS	Defense Finance and Accounting Service
DFDs	Data Flow Diagrams
DFM	Directorate of Financial Management
DITPR	DoD Information Technology Portfolio Repository

<b>Acronym</b>	<b>Title</b>
DLA	Defense Logistics Agency
DMO	Distribution Management Office
DoD	Department of Defense
DoDD	Department of Defense Directive
DoDI	Department of Defense Instruction
DoDIG	Department of Defense Inspector General
DON	Department of the Navy
DON/AA	Department of the Navy Assistant for Administration
DRMD	Directives and Records Management Division
DRPMs	Direct Reporting Program Managers
DTS	Defense Travel System
E&C	Existence & Completeness
EDS	Execution Documentation Subsystem
ELMP	Enterprise Lifecycle Maintenance Planning
EO	Executive Order
ERP	Enterprise Resource Planning
EVM	Earned Value Management
EVMS	Earned Value Management System
FAD	Funding Allocation Document
FAR	Federal Acquisition Regulation
FASTDATA	Funds Administration and Standardized Document Automation
FBWT	Fund Balance with Treasury
FDO	Foreign Disclosure Officers
FFMIA	Federal Financial Management Improvement Act
FFSC	Fleet and Family Support Center
FIAR	Financial Improvement and Audit Readiness
FISCAM	Federal Information System Controls Audit Manual
FISMA	Federal Information Security Management Act
FMB	Assistant Secretary of the Navy (Financial Management and Comptroller), Office of Budget
FMBE	Financial Management & Budget Appropriations Matters Office
FMF	Fleet Marine Force
FMFIA	Federal Managers' Financial Integrity Act
FMO	Office of Financial Operations
FMR	Financial Management Regulation
FRP	Fleet Response Plan
FTE	Full-Time Equivalent
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
GAS	Government Auditing Standards

<b>Acronym</b>	<b>Title</b>
GE	General Equipment
GF	General Fund
GL	General Ledger
GSA	General Service Administration
HPD	Hearing Protection Device
HQMC	Headquarters Marine Corps
I&S	Interoperability and Supportability
IA	Information Assurance
IAVA	Information Assurance Vulnerability Assessments
IBR	Integrated Baseline Review
ICOFR	Internal Control over Financial Reporting
ICOFS	Internal Control over Financial Systems
ICONO	Internal Control over Non-Financial Operations
IG	Inspector General
iNFADS	internet Naval Facilities Assets Data Store
IOPs	Internal Operating Procedures
IP	Integrated Protection
IPA	Independent Public Accounting Firm
IPAC	Intra-governmental Payment and Collection
IPP	Invoice Processing Platform
IPTs	Integrated Product Teams
ISO	International Standards Board
ISOO	Information Security Oversight Office
ISPs	Information Support Plans
IT	Information Technology
ITD	Information Technology Division
ITPRAS	Information Technology Procurement Request/Review Application
IUID	Item Unique Identification
JCIDS	Joint Capabilities Integration and Development System
JV	Journal Voucher
KCOs	Key Control Objectives
KPPs	Key Performance Parameters
KSD	Key Supporting Document
LGT	Large Group Travel
LOA	Line of Accounting
LOGCOM	Logistics Command
MAC	Moving Average Cost
MAG	Marine Aircraft Group
MAIS	Major Automated Information System
MARFOR	Marine Forces
MAU	Major Assessable Unit

<b>Acronym</b>	<b>Title</b>
MBB	Master Black Belt
MBKS	Marine Barracks
MBKS S6	Marine Barracks Data Communications
MCIO	Military Criminal Investigative Organization
MCNOSC	Marine Corps Network Operations and Security Center
MCO	Marine Corps Order
MCSC	Marine Corps Systems Command
MDA	Milestone Decision Authority
MDAP	Major Defense Acquisition Program
MDUR	More Disciplined Use of Resources
ME	Military Equipment
MEF	Marine Expeditionary Forces
MFD	Multi-Function Devices
MFR	Marine Forces Reserve
MIC	Managers' Internal Control
MICP	Managers' Internal Control Program
MILPAY	Military Pay
MILSTRIP	Military Standard Requisitioning and Issue Procedures
MIPR	Military Interdepartmental Purchase Request
MITSC	Marine Air Ground Task Force Information Technology Support Center
MMC	Maintenance Management Center
MRRS	Medical Readiness Reporting System
MSC G-4	Medical Service Corps - Logistics
NAE	Naval Acquisition Executive
NAVAUDSVC	Naval Audit Service
NAVFAC	Naval Facilities Engineering Command
NAVINGEN	Naval Inspector General
NAVSEA	Naval Sea Systems Command
NAVSUP	Naval Supply Systems Command
NAVSUPINST	Naval Supply Systems Command Instructions
NCA	National Capital Area
NCB	Naval Capabilities Board
NCCA	Naval Center for Cost Analysis
NCIS	Naval Criminal Investigation Service
NDAA	National Defense Authorization Act
NetOps	Network Operations
NFR	Notification of Finding and Recommendation
NIPRNet	Non-classified Internet Protocol Router Network
NITESTAR	Navy Information Technology Exhibit Standard Reporting
NMCARS	Navy Marine Corps Acquisition Regulation Supplement
NMCI	Navy Marine Corps Intranet

<b>Acronym</b>	<b>Title</b>
NPC	Navy Personnel Command
NPS	Naval Postgraduate School
NR-KPP	Net-Ready Key Performance Parameter
NSF	Naval Support Facility
NSIPS	Navy Standard Integrated Personnel System
NSS	National Security Systems
NUWCDIVNPT	Naval Undersea Warfare Center Division Newport
OASN (FM&C)	Office of the Assistant secretary of the Navy (Financial Management and Comptroller)
OCC	Object Class Code
OEF	Operation Enduring Freedom
OGE	Office of Government Ethics
OIS	Ordnance Information System
OJAG	Office of the Judge Advocate General
OM&S	Operating Materials and Supplies
OMB	Office of Management and Budget
ONR	Office of Naval Research
OPM	Office of Personnel Management
OPNAV	Office of the Chief of Naval Operations
OPSEC	Operations Security
OSD	Office of the Secretary of Defense
OT&E	Operational Test and Evaluation
OUSD	Office of the Under Secretary of Defense
OUSD (AT&L)	Office of the Under Secretary of Defense (Acquisition, Technology and Logistics)
OUSD (C)	Office of the Under Secretary of Defense (Comptroller)
P.L.	Public Law
PACFLT	U.S. Pacific Fleet
PBIS	Program Budget Information System
PBIS-IT	Program Budget Information System-Information Technology
PCS	Permanent Change of Station
PDM	Program Decision Memorandum
PEO	Program Execution Officer
PII	Personally Identifiable Information
PIT	Platform Information Technology
PM	Program Manager
PMB	Performance Measurement Baseline
PMO	Project Management Office
PMOSSP	Project Management, Strategic Systems Programs
POA&M	Plan of Action and Milestones
PP&O	Plans Policies & Operations

<b>Acronym</b>	<b>Title</b>
PPBE	Planning, Programming, Budgeting, and Execution
PPMAP	Procurement Performance Management Assessment Program
PR	Purchase Request
Qtr	Quarter
QUADCONS	Quadruple Containers
R&D	Research and Development
R3B	Resources and Requirements Review Board
RAM	Random Antiterrorism Measures
RIE	Rapid Improvement Event
ROI	Return on Investment
RP	Real Property
RWOs	Reimbursable Work Orders
RWO-G	Reimbursable Work Order - Grantor
RWO-P	Reimbursable Work Order – Performer
SAAR	System Authorization Access Request
SABRS	Standard Accounting, Budgeting and Reporting System
SAE	Service Acquisition Executive
SAO	Senior Accountable Official
SBA	Schedule of Budgetary Activity
SBR	Statement of Budgetary Resources
SCOR	Supply Chain Operations Reference
SECNAV	Secretary of the Navy
SECNAVINST	Secretary of the Navy Instruction
SETR	Systems Engineering Technical Review
SF	Standard Form
SIPNet	Secret Internet Protocol Router Network
SLDCADA	Standard Labor Data Collection and Distribution Application
SMEs	Subject Matter Experts
SMOSF	Ship Modernization, Operations and Sustainment Fund
SOA	Statement of Assurance
SOP	Standard Operating Procedure
SPAWAR	Space and Naval Warfare Systems Command
SPC	Suicide Prevention Coordinator
SPECWARCOM	Special Warfare Command
SPP	Suicide Prevention Program
SSAE	Statement on Standards for Attestation Engagement
SSN	Social Security Number
SSP	Strategic Systems Programs
STARS-FL	Standard Accounting and Reporting System-Field Level
STARS-HCM	Standard Accounting and Reporting System-Headquarters Claimant Module

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<b>Acronym</b>	<b>Title</b>
SUPSHIP	Supervisor of Shipbuilding
SYSCOM	Systems Command
TA	Technical Authority
TAC	Transportation Account Codes
TECOM	Training and Education Command
TEEP	Training Exercise Employment Plan
TOA	Total Obligation Authority
ToP	Transportation Of People
ToT	Transportation of Things
TSC-GL	Training Support Center – Great Lakes
UH	Unaccompanied Housing
ULO	Unliquidated Order
UNSECNAV	Under Secretary of the Navy
USFF	United States Fleet Forces
USMC	United States Marine Corps
USNA	United States Naval Academy
USSGL	United States Standard General Ledger
USTRANSCOM	United States Transportation Command
VCNO	Vice Chief of Naval Operations
VISTA	Visual Inter-fund System Transaction Accountability
WCF	Working Capital Fund
WSMC	Weapon Systems Management Center
WYPC	Work Year Personnel Cost

FEDERAL MANAGERS'  
FINANCIAL INTEGRITY ACT  
STATEMENT OF ASSURANCE  
FY 2013



DEPARTMENT OF THE NAVY