
FEDERAL MANAGERS'
FINANCIAL INTEGRITY ACT

FISCAL YEAR 2014
STATEMENT OF ASSURANCE



DEPARTMENT OF THE NAVY



THE SECRETARY OF THE NAVY
WASHINGTON DC 20350-1000

November 5, 2014

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Annual Statement Required Under the Federal Managers' Financial Integrity Act for Fiscal Year 2014

As the Secretary of the Navy, I recognize that the Department of the Navy (DON) is responsible for establishing and maintaining effective internal 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 Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control, 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 a qualified Statement of Assurance (SOA) that operational 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-1 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 SOA that the internal controls over financial reporting as of June 30, 2014, were operating effectively with the exception of the following: DON: 21 material weaknesses and United States Marine Corps (USMC): 5 material weaknesses as noted in Tab C.

The DON also conducted an internal review of the effectiveness of the internal controls over the integrated financial management systems. Tab A-1 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 SOA that the internal controls over the integrated financial management systems as of June 30, 2014, are in compliance with FMFIA and OMB Circular A-123, Appendix D, with the exception of the following: DON: 1 non-conformance and USMC: 5 non-conformances as noted in Tab C.

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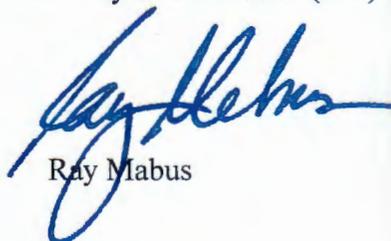

Ray Mabus

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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) 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 system of internal controls in effect during the Fiscal Year (FY) as of the date of this memorandum, according to the guidance in OMB Circular No. A-123, "Management's Responsibility for Internal Control," December 21, 2004. The OMB guidelines were issued in conjunction with the Comptroller General of the United States, as required by the 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.
- Financial information systems are compliant with the FFMIA of 1996 (Public Law 104-208).

The evaluation of internal controls extends to every responsibility and activity undertaken by 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.

DON evaluated the system of internal controls in accordance with the guidelines identified above. The results indicate that the system of internal controls of DON, in effect as of the date of this memorandum, taken as a whole, complies with the requirement to provide reasonable assurance that the above mentioned objectives were achieved. This position on reasonable assurance is within the limits described in the preceding paragraph.

Using the following process, 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 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. The DON's Office of Financial Operations (FMO) will monitor and update key controls and the processes to execute the key controls throughout the phases of sustainment. As the DON progresses towards the achievement of audit readiness to support the Statement of Budgetary Activity the following activity phases were performed:

1. Phase 1: Audit Readiness (FY 2011-FY 2014)

- a. Perform discovery efforts, including Business Process Standardization (BPS) workshops, to define end-to-end business processes and key controls.
- b. Focus on planning and testing key controls and Key Supporting Documents (KSD) to demonstrate audit readiness and substantiate management assertion.
- c. Identify, develop, and implement CAPs to address control deficiencies and audit readiness risks.
- d. Develop process cycle memos and process flows to support business events that support an auditable environment.
- e. Facilitate assertion packages, CAPs, testing guidebooks, and scorecards.

2. Phase 2: Pre-Examination (6 months)

- a. Plan and test controls/KSDs to demonstrate audit readiness and substantiate management's 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 assessments are performed to test procedures over management's assertion that the DON has an effective combination of control activities and supporting documentation that results in business segments being audit ready as defined by the criteria established in the Department of Defense (DoD) Financial Improvement and Audit Readiness (FIAR) Guidance.
- b. Independent findings and recommendations are identified for the improvement of DON internal controls to satisfy audit readiness objectives.
- c. Independent assessments are conducted to determine if the overall opinion of management's assertion is fairly stated, in all material respects, which is based on established criteria by the Office of the Under Secretary of Defense (Comptroller)

(OUSD (C)) FIAR Guidance.

4. Phase 4: Remediation and Implementation (3 months)
 - a. Utilize examination results through obtaining Notification of Findings and Recommendations (NFR).
 - b. Evaluate NFRs to develop and implement CAPs.
 - c. Initiate a risk based testing pattern (i.e. monthly, quarterly, bi-annual) through continual CAP implementation and testing.
 - d. Conduct Budget Submitting Office (BSO) sustainment workshops.
 - i. CAP development.
 - ii. Knowledge transfer, lessons learned, best practices, training for sample selection, and performance of controls/procedures.
 - e. Deliverables include updated CAPs (if applicable), testing checklist, and scorecards.

5. Phase 5: Post-Examination Testing (9 months)
 - a. Perform annual control testing.
 - b. Refine key control to ensure continuity from the remediation and implementation 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, and 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 require BSOs to establish and implement 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 continues to make significant audit readiness progression, which is evidenced through FIAR Assessable Unit (AU) assertions/business processes as being audit ready. Assertion efforts attest to the importance that the DON continues to place on internal controls.

The DON's internal control testing approach for each AU is comprised of the following activities:

Step No.	Activity	Description	Owner
1	Determine Control Testing Populations	Identify representative populations via accounting systems of record or applicable BSO level feeder systems.	FMO
2	Identify Control Testing Sample Selections	Utilize the identified population to 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 reviews and evaluate 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 evaluate testing results.	FMO

Step 1: Determine Control Testing Populations

FMO provided distinct BSO sample populations, which was based on materiality for each control activity. Sampling methodology was based on OUSD (C) FIAR Guidance, which will be drawn for each executed BSO control activity. In addition, to the extent a control activity was executed through greater than one distinct system and/or activity type, a BSO may have multiple sample populations for a single control activity.

Step 2: Identify Control Testing Sample Selections

The selection testing criteria for the operational effectiveness of control activities were determined based on frequency and execution (manual or automated), which adheres to FIAR Guidance. Manual controls with a high frequency exposed to a greater risk or human error; therefore, resulting to a larger sample size. The following table should be demonstrated the DON's control sample sizes that were generally used.

Internal Control Testing Sample Sizes¹

Frequency of Control Performance	Population Size	Total Sample Size
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.

BSO sample selections 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:

- Reperformance – 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 evidence to ensure a key control activity is effectively operating as designed.
- Corroborative inquiry supported by observation.
- Corroborative inquiry supported by inspection of documentation.

Upon testing completion, BSOs and shared 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 was subjected to three levels of review:

- First level – BSOs and shared service providers (Defense Finance and Accounting Services (DFAS), Defense Logistics Agency (DLA), etc.) conducted reviews at the testing location. The review consisted of a detailed analysis of the documented test

¹ OUSD (C) FIAR Guidance Appendix D, Figure 5 dated November 2013

results and KSDs related to the sample selections by personnel not directly involved in execution of the program. Testing exceptions were confirmed with the personnel responsible for performing the control and/or for preparing/retaining the KSD.

- Second level – 2LR (FMO-5) performed by as an independent review for compliance with testing procedures and documentation requirements.
- Third level – FMO Program Manager (PM) performed a review to conclude the operating effectiveness of the control activity.

Upon receipt of the testing workbook, FMO’s final determination on the operating effectiveness of the control activity was communicated to the respective BSO within 10 business days.

Step 5: Develop CAPs

When internal control testing exceptions were identified, FMO PMs coordinated with the respective BSOs and shared service providers to develop a CAP. The CAP included the following elements:

- Description of Gap/Exception
- Gap/Exception Root Cause
- Remediate Activity - with mitigating detailed steps/tasks to be completed
- Critical Implementation Milestone
- CAP Implementation Schedule
- Testing (control and KSD) Schedule
- BSO(s) and shared service providers responsible for CAP implementation

Step 6: Implement and Execute CAPs

Depending on the exception’s execution environment, CAP implementation was managed by a single entity or a hybrid of the following three entities: FMO, shared service providers, or BSOs. All CAP implementation was monitored by the respective assigned FMO PM to ensure the administration and execution remained on schedule.

Step 7: Retest Remediated Internal Controls

FMO PM was responsible for ensuring the remediated KSD and/or control was scheduled for CAP implementation testing and the control operates for a sufficient time period to permit querying an adequate sample size (review table in Step 2 for retesting). BSOs and shared service providers executed the testing procedures by providing FMO completed testing workbooks.

Step 8: Summarize and Communicate Testing Results

Upon receipt of the testing workbook, FMO’s final determination on the operating effectiveness of the control activity was communicated to the respective BSO within 10 business days. The FMO PM, in conjunction with FMO Management concluded if the Key Control Objectives were satisfied.

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 KSDs that the audit readiness team and/or auditors may request. The following parameters are being evaluated in the preliminary determination of the document repository library: (1) centralized locations, (2) ease of use, (3) accessibility, and (4) version control.

Governance and Leadership

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. The DON via FMO uses a “Tone from the Top Strategy” to assist with the delivery of the message to ensure the BSOs and shared service providers remain diligent in their efforts. The following four business activities are executed as methods for emphasizing a centralized governance and leadership:

1. Audit Readiness Steering Committee (ARSC)

Through the assessment of alternative committee structures, FMO recommended the ARSC’s establishment 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 enterprise 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.

2. Functional Segment Leads

FMO FIAR coordinates with functional segment leads to champion DON audit readiness. The individuals are Senior Executive Service (SES)-level appointees who bring together the uniformed and civilian financial personnel under their purview to accomplish common FIAR initiatives/objectives. The functional segment leads drive accountability, emphasize the importance of efforts, and engage other internal and external senior leaders to raise awareness and remove obstacles that achieve goals. For example, functional segment leads coordinate with senior leaders to deliver an update to the Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN (FM&C)) on the Plan of Action and Milestones (PoAM), which supports DON’s overall assertion efforts. It provides a mechanism to trace activities to audit readiness milestones, to accurately report progress towards assertion deadlines, and sustainment of an auditable financial environment.

3. Office Hours

FMO FIAR has weekly office hour sessions that are dedicated to address questions about FIAR execution plans whether at the enterprise, BSO, business segment, or transaction

level. Furthermore, FMO FIAR has periodic 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.

4. Leadership Engagement

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.
- Standardization support of business activities.
- Development of standard process documentation.

(2) Internal Control Over Financial Systems

The DON made significant progress during the FY 2014 reporting period towards completing an internal review of assurance and effectiveness on ICOFS. In conjunction with valued service providers, the DON continues to assess relevant financial system controls to ensure compliance with the FFMIA and OMB Circular A-123 Appendix D, Compliance with the FFMIA. For the current reporting period, the DON provided a qualified SOA for 14 of 39 Information Technology (IT) systems related to asset management, Statement of Budgetary Activity, and Working Capital Funds. The systems include the following:

- Command Financial Management System (CFMS)
- Defense Civilian Personnel Data System (DCPDS)
- Decision Knowledge Programming for Logistics Analysis and Technical Evaluation (DECKPLATE)
- Funds Administration and Standardized Document Automation System (FASTDATA)
- Navy Enterprise Resource Planning (ERP)
- Navy Standard Integrated Personnel System (NSIPS)
- Ordnance Information System (OIS)
- Program and Budget Information System (PBIS)
- Standard Labor Data Collection and Distribution Application (SLDCADA)
- Military Personnel, Navy Appropriation Justification Book Input and Compilation (MAJIC),
- Navy Reserve Order Writing Systems (NROWS)
- Reserve Integrated Management System-Financial Management (RIMS-FM)
- Reserve Headquarters Support (RHS)
- Special Warfare Automated Logistics Information System (SWALIS)

The DON understands ICOFS plays a key role in the auditability of DON financial statements. Consequently, the DON focused FY 2014 on the following ICOFS audit readiness supporting efforts to facilitate an auditable financial systems environment:

- Started assessing approximately 40 IT systems that are at various stages of functional and technical evaluation processing, documentation, and configuration to align to National Institute of Standards and Technology (NIST) requirements.
- Established the Financial Information System Working Group (FISWG) ARSC, which is co-chaired by designees from ASN (FM&C) and DON Chief Information Officer (CIO). The FISWG supports DON audit readiness and sustainment of financial systems by defining enterprise wide audit-related deficiencies, target environment and resolution.
- Issued ASN (FM&C) and DON CIO joint memo, “Developing More Stringent Security Control Requirements for Financially Relevant Systems to Support Audit Readiness” that outlines the DON’s control prioritization, which is based on NIST and materiality.
- Implemented an IT Controls Self-Assessment Process, which was approved by FISWG, with ASN (FM&C) and DON CIO concurrence, for non-key/ancillary financially relevant systems.
- Identified DON IT audit readiness data center controls that are classified as a high priority. FMO and DON CIO continue to collaborate with data center managers to perform Federal Information System Controls Audit Manual (FISCAM) assessments at the data centers that host financially relevant systems (Note: the scope of the FISCAM assessments extend beyond the application itself).
- Continued to update and refine the DON universe of IT Systems for Audit Readiness. The inventory provides the single source of IT Systems that are key or ancillary to DON financial reporting.
- Clarified the Roles and Responsibilities throughout the FMO, DON CIO, and IT System Owners for support of Audit Readiness, Sustainment, and Examination efforts.
- Increased collaboration with shared service providers to improve understanding for and documentation of interactions between IT Systems that are critical to financial reporting (i.e. STARS-FL and STARS-HCM).
- Utilized the ARC SharePoint application as an audit readiness repository for KSDs.
- Tested and validated corrective actions and remediation activities that address identified audit readiness system deficiencies. Completed over 40% of the corrective actions developed to remediate deficiencies.
- Reported metrics related to ICOFS efforts on a regular basis to DON CIO and Deputy Assistant Secretary of the Navy (Financial Operations) (DASN (FO)) leadership.
- Communicated IT System audit readiness expectations, guidance, and status through briefings, workshops, and trainings. Trained the DON financial system community on

FISCAM and Financial Audit Manual, and shared lessons learned from previous and current system assessment.

(3) Internal Control Over Non-Financial Operations (ICONO)

The following describes the DON's process for conducting the evaluation of ICONO, documenting the evaluation process, and supporting its evaluation and level of assurance.

The SECNAV, through the Under Secretary of the Navy (UNSECNAV) and ASN (FM&C), is responsible for the overall administration of the 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 (MAU), 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 SOA. 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 (AUDGEN), in collaboration with the DASN (FO), reviews audit reports from the Government Accountability Office (GAO), the Department of the Defense Inspector General (DoDIG) and the NAVAUDSVC. Ongoing collaborations with the DON's AUDGEN 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 Department of the Defense Instruction (DoDI) 5010.40 and other applicable guidance.

The DON maintains an audit trail of the evaluation process through the DON SOA tool. The SOA tool is utilized as a centralized repository for organizations at all echelon levels to report internal control deficiencies, track audit findings, capture accomplishments, monitor their planned milestones, and compile certification statements. 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.

In addition, the DON updated the SOA tool with the following features:

- User account is authenticated using Common Access Card (CAC).
- User needs to login every 35 days to retain an active account.
- User has access to the tool with multiple organizations.

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 (SAO) 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 prepared and distributed the MIC Evaluation Checklist to facilitate the implementation of control self-assessments to be utilized as a practical toolset. The evaluation checklist addresses DON general internal controls and provides guidance on how personnel can perform control self-assessments at their respective organizations. The DON conducted periodic reviews of the MIC Evaluation Checklist to ensure a comprehensive checklist is in place that can be utilized as a supplemental internal controls assessment. Upon review, the DON included internal control reporting categories defined by DoDI 5010.40 and updated the checklist to reflect the current MIC environment.

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. Per Secretary of the Navy Instruction (SECNAVINST) 5200.35F, the DON performed a MAU annual follow-up to ensure MIC coordinators and alternates are appointed in writing, with the recommendation that appointment letters are retained and readily accessible.

The DON's updated SECNAVINST 5200.35 (21 July 2014) with reference to the newly issued DoDI 5010.40, May 2013. This update will assist MIC personnel with utilizing tools and methods that foster self-reporting and mitigating strategies to correct identified deficiencies. In addition, to the prescribed format changes, the following were updated:

- Concise content related definitions.

- Chartered stakeholder responsibilities.
- Policies/procedures were structured.
- ICOFR/ICOFS sustainment addressed.

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. The following were major changes in the MIC Manual:

- Appended ICOFS section to introduction.
- Included statutory, regulatory requirements, and supplemental guidance.
- Updated stakeholder responsibilities, risk assessment, SOA, SOA tool, MIC training, references, acronym list, and key examples.
- Provided detail description of certifications statement and DoDI internal control reporting categories.

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 who then 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.

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 MICP stakeholders to enhance their capabilities.

b. Audit Findings from DoDIG, NAVAUDSVC, and GAO

The findings that are deemed material weaknesses are reported in the table below (*Note: There are no FY 2014 audit reports related to other material weaknesses including Communication Security (COMSEC), Earned Value Management (EVM), and attenuating hazardous noise*):

Dates of Reports	Description of Findings	MAU	AU	Inspection Entity
7/25/2013	<u>Contract Management –Service Contracts (N2013-0037)</u> : Naval Facilities Engineering Command (NAVFAC) did not perform sufficient surveillance over functional areas to ensure the Guam Base Operating Support (BOS) contract was effectively administered in accordance with contracting and disbursing policies and procedures.	CNO	NAVFAC	NAVAUDSVC
9/24/2013	<u>Contract Management –Service Contracts (N2013-0046)</u> : Contracting and requiring officials did not properly administer service contracts in accordance with applicable contract policies.	CNO	Naval Air Systems Command (NAVAIR)	NAVAUDSVC
1/13/2014	<u>Contract Management – Service Contracts (DoDIG-2014-030)</u> : DON did not perform adequate contract oversight on task orders related to the Navy’s FIAR efforts.	CNO	Naval Supply Systems Command (NAVSUP)	DoDIG
2/28/2014	<u>Contract Management – Service Contracts (DoDIG-2014-042)</u> : The contracting officials did not adequately support their price reasonableness determinations for modifications, valued at \$1M.	CNO	NAVFAC	DoDIG
3/14/2014	<u>Contract Management – Service Contracts (N2014-0013)</u> : The contract files did not have all the required contract file documentation. Contracting Officer’s Representatives (COR) did not complete the required COR training, and appointment letters for CORs were missing.	CNO	Commander, Navy Installations Command (CNIC)	NAVAUDSVC
3/14/2014	<u>Personally Identifiable Information (PII) (N2014-0013)</u> : Semi-annual spot checks for PII were not performed or collected. Some employees did not complete PII annual training.	CNO	CNIC	NAVAUDSVC
3/25/2014	<u>Contract Management – Service</u>	CNO	Fleet Forces	NAVAUDSVC

Dates of Reports	Description of Findings	MAU	AU	Inspection Entity
	<u>Contracts (N2014-0011)</u> : DON did not establish sufficient policies, procedures, or internal controls for issuing and administering Military Interdepartmental Purchase Requests (MIPR) and service contracts.		Command & Norfolk Ship Support Activity (NSSA)	
3/26/2014	<u>Contract Management – Service Contracts (GAO-14-304)</u> : The DON did not have sufficient internal controls for non-competitive contracts and the following deficiencies were noted: (1) no limitation in the performance duration to 1 year, (2) incomplete justifications and determinations for exceptional circumstance to extend the contract period of performance beyond 1 year, and (3) inadequate transparency and oversight of noncompetitive contracts.	DON-wide	DON-wide	GAO
4/9/2014	<u>Contract Management – Service Contracts (N2014-0017)</u> : Naval History and Heritage Command (NHHC) did not have: (1) approved Standard Operating Procedures (SOP) or a contract administration plan on file, (2) an accurate universe of NHHC funded contracts, (3) complete sufficient contract files, and (4) properly appointed CORs.	CNO	NHHC	NAVAUDSVC
4/9/2014	<u>Contract Management – Service Contracts (N2014-0018)</u> : NAVFAC did not have sufficient internal controls in place to ensure the BOS contracts were effectively administered in accordance with contracting and disbursing policies and procedures.	CNO	NAVFAC	NAVAUDSVC

Dates of Reports	Description of Findings	MAU	AU	Inspection Entity
5/5/2014	<u>Contract Management – Service Contracts (GAO-14-395)</u> : Justifications in contracts were not prepared correctly. Some justifications were not made publicly available according to requirements; therefore missing an opportunity to add transparency into the contracting process.	DON-wide	DON-wide	GAO
5/23/2014	<u>Contract Management – Service Contracts (N2014-0024)</u> : Opportunities exist to improve documentation pertaining to contract closeout (i.e. contract completion statements and final invoices were missing and final invoices were not maintained).	CNO	NAVFAC	NAVAUDSVC
6/4/2014	<u>Contract Management – Service Contracts (N2014-0026)</u> : DON did not administer contracts in accordance with applicable Federal Acquisition Regulation (FAR), DoD, and DON policies and procedures.	CNO	NAVSUP & Naval Meteorology and Oceanography Command	NAVAUDSVC

c. DON’s Anti-Deficiency Act (ADA) Violations

In FY 2014, the DON reported Anti-Deficiency Act (ADA) violations to the President through the Director of the OMB, Congress, and the Comptroller General of the United States. The following information supports the DON’s ADA violations:

i) Case Number.

N11-08

ii) Violation Amount.

\$6.9 million

iii) Appropriation and Treasury Appropriation Symbol.

1771804 and 1791804 (Operation and Maintenance)

iv) Type of Violation and United States Code (USC) Section.

Camp Lemonnier, Djibouti inappropriately financed one major military construction project and three unspecified minor military construction projects with Navy appropriation - Operation and Maintenance. In accordance with “The Principles of Federal Appropriation Law” the referenced efforts are aligned to military construction funds. The misappropriation of funds resulted in violations of the following statutes:

- 31 USC § 1341(a)(1)(A): Making or authorizing an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation.
- 31 USC § 1517: Making or authorizing an expenditure or obligation exceeding an apportionment or the amount permitted by regulations prescribed under 31 USC § 1514 regarding administrative control of an appropriation.

v) Audit report title, number, date, and agency (if identified by an audit).

No ADA violations were identified from internal/external inspections or audit findings and recommendations.

vi) Status of planned and completed corrective actions as a result of the ADA violation. The status of corrective actions is required to be reported until the corrective action is complete and reported as such.

The following corrective actions were planned and implemented to mitigate the identified ADA violations:

- The NAVFAC issued a Naval Engineering Training and Operating Procedure and Standard (NETOPS) #18 instruction to formalize the process for the acceptance of funding documents by NAVFAC Comptrollers for projects exceeding \$500K and defined the project development and review requirements necessary to ensure compliance with the ADA. The instruction is strictly adhered to for all special project funding and serves as governance for funds acceptance greater than \$500K. Significantly, the NETOPS requires the use of a project DD 1391 for all projects over \$500K.
- NAVFAC Atlantic developed a computer based ADA training course to assist personnel involved in the development and execution of projects and to better understand ADA principles. The training is a requirement of all NAVFAC Atlantic Area of Responsibility personnel involved with financial and acquisition initiatives. The training includes practical exercises and well-designed examples to develop and maintain an awareness of funding limitations and constraints as they relate to Naval Facilities Engineering execution.

d. SOA for ICOFR and ICOFS

In accordance with DoDI 5010.40, entitled “Managers’ Internal Control Program Procedures,” and the FIAR Guidance, the DON reports the effectiveness of ICOFR and ICOFS as of June 30, 2014 as follows:

i) The following includes SOA for ICOFR and ICOFS:

- ICOFR: Qualified SOA with the exception of the following:
 - DON: 21 unresolved material weaknesses.
 - USMC: 5 unresolved material weaknesses.

- ICOFS: Qualified SOA with the exception of the following:
 - DON: 1 unresolved non-conformance.
 - USMC: 5 unresolved non-conformances.

ii) Tab C represents the internal control weakness information for ICOFR and ICOFS including description of material weakness and corrective action summary. Please refer to Tab C for details.

e. Summary of the Results of the DON’s Assessment of the Acquisition Functions

Objective

As required by OMB Circular A-123, the DON provides this summary of its Assessment of Internal Control over Acquisition Functions using the guidelines set forth in OMB Circular A-123 and Office of the Secretary of Defense (OSD) Acquisition, Technology, and Logistics (AT&L) Guidance. This effort focused on determining whether any (new) deficiencies or material weaknesses exist within DON and associated CAPs.

Scope

This assessment defines Assistant Secretary of the Navy (Research, Development, and Acquisition) (ASN (RD&A)), the Service Acquisition Executive (SAE), as the appropriate entity level for internal control of 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.

Assessment Execution

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 elements of OMB Circular A-123 cornerstones (organizational alignment and leadership, policies and processes, human capital, and information management and stewardship).

Internal Controls

SECNAVINST 5000.2E 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, 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.

Current Program Decision Meetings as set forth in SECNAVINST 5420.188F 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 of 2 December 2011 documents duties and responsibilities of ASN (RD&A), PEOs, Direct Reporting Program Managers (DRPMs), CNO, CMC, and SYSCOM Commanders. 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 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 FAR and the Defense Federal Acquisition Regulation 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 Assistant Secretary of the Navy (Research, Development, and Acquisition) Information System (RDAIS) is a live database that provides SECNAV, ASN (RD&A), Office of the Chief of Naval Operations (OPNAV), HQMC, SYSCOMs, PEOs, DRPMs, and the PMs a tool to manage the various ACAT programs with consistent data throughout the Chain-of-Command. PMs must complete RDAIS updates for ACAT I, II, and III programs on a quarterly basis. RDAIS 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 with the contractor. Technical Baseline Review objectives include: assess the Performance Measurement Baseline (PMB) adequacy including identification of risks, achieve a mutual understanding of the PMB and its relationship to EVMS, ensure tasks are planned and objectively measurable relative to technical progress, attain agreement on a plan of action to evaluate any identified risks, and quantify the identified risks and incorporate an updated Estimate At Complete.

Findings

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

The NCB/R3B recommends validation of all war fighting requirements, including Key Performance Parameters and Key System Attributes. The R3B is the Navy's forum for reviewing and making decisions on Navy requirements and resource issues. The R3B acts as the focal point for decision-making regarding DON requirements, the validation of non-acquisition related, emergent, and Joint requirements, the synchronization of Planning, Programming, Budgeting, and Execution 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 ICEs for those programs delegated to the DON SAE as Milestone Decision Authority (MDA). NCCA also conducts component cost analyses for joint programs for which DON is the lead. NCCA chairs a DON Cost Assessment review of program office and independent life cycle cost estimates and component cost analyses to support major milestone decisions for designated programs. Formal presentations of estimates are made to the Director, NCCA. Differences in estimates are noted, explained, and documented in a memorandum from NCCA to ASN (RD&A).

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 OSD AT&L Better Buying Power Initiatives continue to emphasize ways to improve the acquisition of products and services by improving efficiencies through use of cost analysis, competitive prototyping, open system architecture that enable competition for hardware and software upgrades, acquisition of technical data packages, increased market research and continued emphasis on increased competition and improving small business participation.

Gap 2 - Contract management and administration.

Corrective Action: Deputy Assistant Secretary of the Navy (Acquisition and Procurement) (DASN (AP)) and the DON Commands continue placing greater scrutiny on the requirements and practices for acquiring services through the use of Services Requirements Review Boards (also known as 'Contracts Courts') and tripwires, with increased emphasis to improve use of performance based contracting, avoid duplication of services within the DON, and to provide increased opportunity for small businesses and increase competition. Increased emphasis has been placed on training for those involved in services acquisitions through required use of Services Acquisition Workshops early in the process, on recruitment and training for COR in their management and surveillance responsibilities after a services contract is awarded and on properly resourcing and establishing oversight organizations for contract management and administration. Additional efforts have been taken to pursue suspensions and debarments to address misconduct and poor performance on DON contracts, including a requirement for referral of contract terminations for default to the DON Acquisition Integrity Office.

The DON continues to execute the Health Assessment process whereby a thorough review of command level processes for contract administration and requirements generation are reviewed for best practices and areas of improvement, and has begun conducting Health Assessment reviews at selected command field activities. In addition, the DON has made several improvements to the Procurement Performance Management Assessment Program

with improved guidance and increased contract management oversight and compliance reviews across the enterprise, with requirements for corrective action and associated training where deficiencies are found.

TAB A-2

Significant Managers' Internal Control Program Accomplishments During FY 2014

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 2014 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 by cutting energy usage on bases and installing new solar and geothermal technologies providing electricity.
4. Promote Acquisition Excellence and Integrity – to rebuild the 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

CMC, Administration and Resource Management Division

Title: Protection of National Security Information (NSI)

Internal Control Reporting Category: Security

Description of Issue: Due to recent federal government spillage of classified and sensitive information, there was a need to institutionalize additional education, training, and awareness to heighten personnel's attention to inappropriate behaviors that constitute a negative impact on national security.

Accomplishment: Executive Order 13526 and the DoD Manual 5200.01, prescribes a uniform system for classifying, safeguarding, and marking NSI, including information relating to defense against transnational terrorism. The protection of classified information is

one of the utmost importance during a time where the nation's ability to properly protect classified and sensitive information is inadequate. As CMC continues to increase dependency on technology, vulnerabilities simultaneously increase. This is evidenced by a consistent pattern of electronic spillages, improper marking, complacent behavior, and a poorly educated workforce entrusted with access to NSI.

In an effort to combat these challenges, Headquarters Marine Corps (HQMC) institutionalized a new Security Education, Training, and Awareness Program (SETAP). The core focus of this program includes the following components: Command Action Officers Course, Staff Agency Security Stand-down, Staff Agency Classroom Training, and Action Officer Desktop Training. The intent is to diversify delivery of the SETAP to ensure all personnel with access to classified information are properly trained.

As a result of these accomplishments the following improvements were achieved:

- 240 personnel from the offices of the Director, Marine Corps Staff, Deputy Commandant, Aviation, Director, Command, Control, Communications, Computers, and Legislative Assistant to the CMC, Office of Legislative Affairs actively sought training from the Command Information Security Subject Matter Expert (SME).
- Staff Agencies/Activities have proactively integrated the expertise of the Information Security Manager into their daily execution of marking. This includes 2-5 support calls requesting assistance per week.

Each spillage incident costs an average of \$10,000-\$20,000 and requires significant man-hours to address. Every action taken to provide staff training to protect classified information reduces the likelihood of spillage and avoids the associated costs.

CMC, Manpower and Reserve Affairs (M&RA) and HQMC, Health Services

Title: Deployment Health Assessment (DHA) and Mental Health Assessment (MHA) Compliance and Referral

Internal Control Reporting Category: Personnel and Organizational Management and Support Services

Description of Issue: There are discrepancies concerning compliance and completion deadlines required for the DHA and MHA programs. In addition, there are issues surrounding the lack of visibility, consistency and certification of Post Deployment Health Re-Assessment (PDHRA) process.

Accomplishment: In 2006, the DoD mandated a three-phased DHA. During 2012 DoD implemented a four-phased MHA requirement. In the past year, the Marine Corps has encountered several issues concerning meeting both the compliance and completion deadlines required in both the DHA and MHA programs. Specifically:

- Commanders had no visibility of the PDHRA completion of their Marines or whether any referral recommendations were made and followed.
- Once Marines accomplished their PDHRA and received the recommended referrals for treatment, there was an inconsistent follow-up process to ensure that Marines were seeing their Primary Care Managers (PCM) for referral scheduling.
- New directives from DoD required additional MHAs for all deployers Outside the Continental United States (OCONUS) greater than 30 days with no fixed Medical Treatment Facility (MTF).
- II Marine Expeditionary Force (MEF) Commanding General (CG) and the PDHRA Field Manager (FM) had concerns regarding the volume of II MEF Marines who were overdue for their PDHRA requirement; therefore, not receiving care for their physical and psychological related health issues upon return from deployment.

In order to address these issues, HQMC Health Services initiated a plan to assess current referral management and tracking practices to mitigate the attendant risks to service members. PDHRA Analysts at M&RA Manpower Information Systems Division (MI) produced a roster of active duty USMC personnel who returned from a qualifying deployment (defined as OCONUS greater than 30 days for a contingency operation with no fixed MTF, per DoDI 6490.03) between 1 January 2013 and 30 June 2013. The Navy and Marine Corps Public Health Center (NMCPHC) EpiData Center matched personnel to the PDHRA database to certify (by date completed) those who completed a PDHRA. The NMCPHC further identified those individuals with a recommended referral. The data was disseminated to Marine Corps Forces surgeons for their cognizance as well as to MEF surgeons who further disseminated it to the unit-level providers where record review and/or face-to-face with the member occurred. Data collected included: compliance, per cent PDHRAs requiring referrals, types of referrals indicated, per cent referrals not kept and reason, diagnosis (traumatic brain injury, Post-Traumatic Stress Disorder, mood, etc.), and disposition (follow-up, Limited Duty, Physical Evaluation Board).

Furthermore, M&RA MI programmers appended PDHRA functionality to the Commanders dashboard. The enhancement provides Commanders visibility of completion and compliance with PDHRA-MHA combination requirement as well as a count of referrals recommended from the screening. Commanders can export a roster of Marines in their Command that have not accomplished their requirements as mandated and can view the number of recommended referrals to encourage their Marines to obtain follow-up care. (Note: to avoid Health Insurance Portability and Accountability Act/privacy infringement only the number of referrals recommended is included vice the type of referrals). Because the timeline of the MHA #2 coincided with that of the PDHRA, M&RA and NMCPHC worked together to combine the two assessments to make a comprehensive assessment to be administered by medical and tracked to completion through the USMC PDHRA Data Mart. Publication of Marine Administrative Message 129/13 further encouraged leadership to engage with the PDHRA-MHA requirement combination.

II MEF CG (G-1), Health Support Services, the Medical Planner, and M&RA PDHRA FMs collaborated on the release of an II MEF CG Message in support of an initiative to update business rules and ensure completion of backlogged PDHRAs that are due and or overdue.

The PDHRA FM provided rosters and scheduling to Commanders in conjunction with weekly reports/briefings for leadership meetings designed to increase Marine completion and accountability in support of the PDHRA requirement. The release of the II MEF CG Message provided further clarification to Line Commanders of the importance of the PDHRA requirement and delineated their expected role in the process.

As a result of the aforementioned improvements:

- A formal process was standardized to effectively evaluate the referral management process flowing from DHA.
- An increase in familiarization and enhanced provider usage of the Electronic DHA referral tracker occurred.
- Improved processes across the MEF medical staffs to ensure all PDHRA referrals were accounted.
- A trend in the numbers of outstanding PDHRA referrals was decreased.
- Descriptive analyses of the issue, provided data to mind, inform, and shape future quality assurance and performance improvement projects.
- Commanders enhanced accessibility to quantitative reports that assists with monitoring important healthcare requirements for deployed Marines, which encourages the consultation with medical practitioners for treatment/care.
- PCMs had the ability to track referral Marine recommendations in their care. Currently M&RA MI is developing a Command connection referral count feed to enable Commanders visibility of Marine referral completion progress and decrement.
- Provided tracking for new MHA assessment requirement. Marines had a single appointment, hence reducing the Command impact on schedules and training.
- Marines were afforded the opportunity to report and receive treatment/follow-up care for lingering deployment-related health and mental health issues. Consequently, M&RA was able to have two of the phases of the MHA coincide with the DHA (MHA #1 with Pre-DHA and MHA #2 with the PDHRA), so there are five rather than seven MHA and DHA mandated events. MHA #3 and #4 are incorporated as part of the Marine's annual physicals.
- Even with the volume of Marines returning from deployments to II MEF, the overall delinquency rate of MSCs at II MEF dropped 2% and is currently maintaining a 5% delinquency rate.

CMC, Plans, Policies and Operations (PP&O)

Title: Marine Corps Civilian Law Enforcement Program (MCCLEP)

Internal Control Reporting Category: Force Readiness

Description of Issue: Upon the hiring of civilian law enforcement and contract support personnel that assist military police with security, there was a need to evaluate the effectiveness of MCCLEP's management controls.

Accomplishment: The Marine Corps hired Civilian Police and contract support personnel to support Military Police and provide law enforcement and security throughout the supporting establishment. Management controls are required to ensure personnel, policy and contract matters are in place to administer the program effectively and efficiently.

Installation identification of security and policing requirements was not standardized and frequently included unnecessary capabilities for the Marine Corps. As such, PP&O conducts triennial validations at all Marine Corps installations to determine the number of personnel required to provide law enforcement and security services. A Total Force Work Structure Division approved metric is used to quantify personnel requirements based on compliance with federal laws, DoD regulations, and sound security principles. The results are briefed to leadership, who make decisions on which requirements will be resourced per available funding and risk tolerance. Through this process, a detailed account is made of the security and policing guidance that assist with decision making to support requirements or assume a level of risk.

Through a centralized support contract over 450 personnel are provided to installations to perform a variety of security and Police support tasks, such as 911 Dispatch, Alarm Monitoring, Commercial Vehicle Inspection, Physical Security Inspection, Contractor Vetting, ID Issuance, Vehicle Registration and Visitor Service, Police Records and Reporting, Court Liaison, Animal Control, Vehicle Towing and Impound. They are also responsible for conducting Civilian Police basic academies and carrying out all law enforcement sustainment training on the installations. A single resource for training ensures standardization across the Marine Corps. In addition, PP&O refined the contractor manpower metric that determines the number of personnel required to perform these functions, resulting in an overall decrease per function while maintaining compliance with public law and DoD policy. A training academy was conducted on the East and West Coast that reduced Training and Development (TAD) costs for civilian police officers. Centralized contract management minimized contractor supervision, which resulted to reduced overhead cost.

The standard hiring practices for civilian positions are insufficient for hiring civilian police. PP&O implemented procedures to ensure candidates for civilian police positions undergo thorough screening to ensure they meet the standards. To successfully complete the screening, candidates must: pass a Physical Agility Test, meet Body Mass Index standards, complete the Minnesota Multiphasic Personality Inventory 2, pass a drug test, comply with the Lautenberg Amendment, pass an occupational physical, and meet all Police Applicant Suitability Review criteria.

The following improvements, costs reductions, and avoidances are accomplished through MCCLEP implementation:

- Improved identification of current and future security and police requirements.
- Improved process to provide Marine Corps leadership with information to make informed risk decisions.
- Improved staffing and capabilities to installations.

- Standardized the hiring practices.
- Standardized academy and installation training.
- Reduced cost for Civilian Personnel and contracts.
- Eliminates critical gaps in security and policing support.
- Cost reduction for having to replace unqualified personnel.
- Cost reduction for training TAD.

CMC, Marine Corps Recruiting Command

Title: Board and Lodging

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: During the Marine Corps recruiting process, applicants are required to complete qualifying tests, medical exams, and final processing. Due to this lengthy process, applicants are required to stay overnight at local hotels where lodging and meals are provided. The issue is that many of these applicants end up neither joining nor qualifying for Active Duty in the Armed Forces. Internal controls needed to be in place to cut back on these expenses which are estimated to be \$1.4M annually.

Accomplishment: The Board and Lodging program is designed to assist Marine recruiters with processing applicants at the local Military Entrance Processing Station (MEPS). Potential applicants are required to perform a qualifying (testing) and evaluations (medical exams) process. This process also involves medical exams and further Questions and Exams (Q&E). Recruiters currently drive applicants to the MEPS for the Q&E process portion of the determination of eligibility to join the Armed Forces. This Q&E process historically is an all-day event that consists of an afternoon meal. Due to the length of the Q&E process, many of the applicants are required to stay overnight at a local hotel where lodging and an evening meal are also provided.

If the applicant is eligible to enlist in the Marine Corps there will potentially be an additional overnight of lodging. This is the night prior to shipping for final processing before departing to travel to Parris Island, South Carolina for recruit training. This is a lengthy Marine Corps acceptance process with a high percentage of potential applicants being provided overnight lodging with many individuals never enlisting or qualifying. The Board and Lodging program for the Marine Corps Recruiting Command for the 4th Marine Corps Division (MCD) cost an estimated of \$1.4M dollars annually.

Expanding on the example mentioned above, 4th MCD reviewed its applicant-processing program and has implemented more stringent internal controls associated with Boarding and Lodging costs. Recruiters are now required to ensure that applicants arrive early enough in the morning to allow for a one day processing; therefore, eliminating the need for an applicant to remain overnight. In addition, recruiters are required to coordinate with the MEPS Liaison Office to ensure there is space available at the local MEPS. This ensures applicants will be able to complete the qualifying process in a timely manner; thereby the

requirement for an overnight stay at a local motel is mitigated. MCDs continue to monitor their Board and Lodging program for the greatest cost efficiency. In addition, MCDs continue to monitor and create program efficiencies to ensure recruitment efforts are optimized.

The continued evaluation of available resources to accomplish mission objectives in conjunction with the self-assessment of internal controls have assisted in the reduction of expended funds related to Boarding and Lodging Costs. For example: 4th MCDs Boarding and Lodging costs were reduced by \$544K annually.

CMC, Marine Corps Forces, Pacific (MARFORPAC)

Title: Command Assessment Cell (CAC)

Internal Control Reporting Category: Personnel and Organizational Management

Description of Issue: In order to comply with the Government Performance and Results Act (GPRA) and the OMB Circular A-123, MARFORPAC had to implement a team to evaluate and report on accomplishments that were mission-critical to the Commander.

Accomplishment: The GPRA requires federal agencies to develop strategic plans, set performance goals, and report annually on actual performance compared to goals. The OMB Circular A-123, "Management's Responsibility for Internal Controls" requires federal agencies to systematically implement cost-effective controls for results-oriented management, identify necessary improvements, take corresponding corrective actions, and support annual reporting on internal controls.

MARFORPAC instituted the CAC to evaluate mission accomplishments across all mission areas critical to the Commander. The CAC staff collected, reviewed, analyzed, and validated relevant information to evaluate progress against the MARFORPAC Campaign Order. MARFORPAC's operations are traced to Pacific Command's Campaign Plan and the CMC Campaign Plan. The CAC analyzes the Command's progress toward operational mission success and posturing the Marine Corps in the Pacific theater for future operations. This effort creates formal, objective evaluation of MARFORPAC's ability to support both Title 10 and Combat Commander mission requirements. Lines of Effort (LOE) are briefed to the Commander on a weekly basis, facilitating the Commander's situational awareness and contributing to improved coordination across the staff. By integrating the existing oversight function into the Command's MICP, MARFORPAC is creating a comprehensive picture for the Commander and an accurate overall evaluation for Headquarters (HQ).

On a semi-annual basis, the CAC evaluates MARFORPAC's progress toward achieving service component, theater, regional, and country objectives across MARFORPAC's eight LOE. These are directed focus areas defined in the MARFORPAC Campaign Plan 2012-2020 and the MARFORPAC Campaign Order, which were updated in January 2014. The MARFORPAC Campaign Plan, Campaign Order, and semi-annual assessments exceed the

requirements of the GPRA, which require agencies to develop strategic plans (Campaign Plan), set performance goals (Campaign Order), and report annually on actual performance compared to goals (Command Assessment).

In addition, regular assessment fulfills the OMB Circular A-123, "Management's Responsibility for Internal Controls" requirement for federal agencies to systematically implement cost-effective controls for results-oriented management, identify necessary improvements, take corresponding corrective actions, and support annual reporting on internal controls. Most importantly, the CAC provides the Commander an independent assessment of the Command's progress in supporting his most critical priorities.

CNO, CNIC

Title: Efficiency of Naval Base Ventura (NBVC) Federal Fire Department (Fire) Operations Saved Infrastructure Valued At >\$125M

Internal Control Reporting Category: Support Services

Description of Issue: NBVC is a geographically dispersed base with numerous sites that requires the responsibility of the fire department. Developing plans and adhering to regulations prepared NBVC Fire to support Fire's objectives of minimizing loss of life, reducing property damage and environmental impact by fires when participating in firefighting operations during "The Springs Fire". "The Springs Fire," named for Camarillo Springs Road, Camarillo, CA, burned more than 24,000 acres.

Description of Accomplishment: The NBVC Fire Department implemented and maintained robust training regimens in strict compliance with Office of the Chief of Naval Operations Instruction 11320.23G, "Navy Fire and Emergency Service Program". Emergency response planning is comprehensive and reviewed annually. Training to support the plan was conducted both on and off base including full scale exercises to support numerous contingencies. The Fire Chief's plan for wild land firefighting included quarterly exercises with local city and county fire departments to ensure all firefighters trained utilizing SOPs as no single fire department was staffed for large scale operations. Training included topics such as back fire operations, incident command, structure protection, and firefighter safety. This collaborative partnership paid remarkable dividends when a mixed strike team including NBVC firefighters was placed in the path of an approaching fire storm threatening the U.S. Navy communications infrastructure on Laguna Peak. The mixed strike team remained on Laguna Peak with no route of egress and saved the communications infrastructure valued at approximately \$125M. Due to the well-rehearsed contingency training, the mixed strike team functioned as a cohesive unit by successfully protecting the critical communications site. Other highlights during "The Springs Fire" included a tremendous display of coordination and knowledge of procedures by the NBVC Incident Commander (Fire Chief) and the NBVC Emergency Manager, when they requested and were granted control of DON rotary wing firefighting helicopters from San Diego.

In addition, the extended collaboration between NBVC Incident Commander and the Unified Incident Commander ensured additional strike teams were in place with 20 fire engines, which enabled the reduction of property damage and minimal environmental impact to the base and surrounding municipalities. As a result of the additional training and manpower there were no reported firefighter injuries.

The NBVC Fire Chief was named the NBVC Civilian of the Year and all firefighters under operational control of NBVC received appropriate awards for their outstanding leadership and coordination.

Due to the magnitude of “The Springs Fire” a greater emphasis has been placed on the value of collaboration with local fire agencies to ensure the appropriate emergency and contingency plans are in place to support community disasters.

Department of the Navy, Assistant for Administration (DON/AA)

Title: Navy Office Property Accountability

Internal Control Reporting Category: Property Management

Description of Issue: There was minimal oversight and accountability of space management and Real Property (RP) contents for the Secretariat and OPNAV staffs within the National Capital Region (NCR).

Description of Accomplishment: Facilities and Services Support Division manages NCR space and property for over 5,000 personnel. The Division implemented a Computer-Aided Design based property and space management system which provides visibility of Pentagon, leased, and other Government-controlled office space. The system allows visibility for management of life cycle replacement costs of furniture, visibility of mission critical and normal operating utilities, and validation of square footage when addressing lease and Pentagon square footage costs.

DON/AA

Title: Improved Organizational Processes for Conference Review and Approval

Internal Control Reporting Category: Support Services

Description of Issue: Over the last year, Customer Service Desk (CSD) continued to improve its conference review and approval process.

Description of Accomplishment: During 2013 most conference reviews averaged 10 business days to review, process, and approve, which was due to multilayered procedures. Through the implementation of Just-Do-It actions, over 98% of the conference requests pass

though the office in less than three business days and there is a 99% elimination of rework issues. CSD has also saved the DON hundreds of thousands of dollars since last year through increased review and analysis of conference costs as they relate to per diem, rental car, travel, and other associated conference expenses. As a result, the CSD Director is able to focus on the higher-level issues that impact the division, as well as deliver enhanced levels of overall customer service support to the Secretariat and the DON.

DON/AA

Title: Secretariat Orientation Seminar for New Employees

Internal Control Reporting Category: Personnel and Organizational Management

Description of Issue: There is a need to establish Secretariat Orientation training for new employees across the DON.

Description of Accomplishment: CSD and DON/AA Human Resource Division (HRD) established a one-day Secretariat orientation seminar that provides new employees with a synopsis of the DON's role, responsibilities, functions, objectives, and its relationship to associated Navy echelons and Commands. The six hour boot camp gives new employees a broader understanding of how their job aligns to the overall mission/goals of the Secretariat, which results to increased morale and a knowledgeable workforce. CSD continues to survey past and present attendees to gain awareness on future training improvements.

DON/AA

Title: Directives Management Processing

Internal Control Reporting Category: Personnel and Organizational Management

Description of Issue: Some SECNAVINST are obsolete or not aligned to the correct program office; therefore, DON needs to update a number of instructions.

Description of Accomplishment: SECNAVINST is currently being aligned to the appropriate program offices. Obsolete policies have been identified with revisions in the works or cancellations being executed. The revision of the SECNAVINST 5215.1E, which has completed all coordination and is awaiting signature, will strictly prohibit the issuance of SECNAV policy by memo. In addition, all SECNAVINST, including SECNAV Manuals require the SECNAV's endorsement.

Naval Criminal Investigative Service (NCIS)

Title: Activity Based Costing (ABC)

Internal Control Reporting Category: Personnel and/or Organizational Management

Description of Issue: The Director of NCIS is committed to an effective utilization of resources in accomplishing the NCIS mission in support of the DON Strategic Plan.

Description of Accomplishment: The ABC model has been enhanced to provide cost estimates of mission functions at the field and program level. Improved cost models enable more effective reporting of actionable information for use by NCIS Leadership. ABC supports business excellence by providing information to facilitate long-term strategic decisions, such as resource utilization and sourcing. It allows PMs to understand the impact of resource alignment on cost and flexibility and modify their resources. In addition, the ABC model supports the quest for continuous improvement by allowing management to gain new insights into activity performance by focusing attention on the sources of demand for activities.

NCIS

Title: Adult Sexual Assault Program

Internal Control Reporting Category: Personnel and/or Organizational Management

Description of Issue: During this reporting period, the NCIS Criminal Investigations and Operations Directorate (Code 23) reviewed the US Army's Special Victim Unit Investigations Course (SVUIC), which is the advanced training currently used by NCIS special agents and investigators to meet training requirements mandated by the DoDI 5505.18 - "Investigation of Adult Sexual Assault in the DoD" (25 January 2013) and the DoDIG Directive-type Memorandum 14-002, "The Establishment of Special Victim Capability (SVC)" (11 February 2014).

NCIS personnel attend the US Army's course as the Army was awarded the training funds by OSD, Sexual Assault Prevention and Response Office (SAPRO) in 2012. The two week course is taught once per month and NCIS is granted a limited number of training seats per course of instruction. The lack of availability of this training makes it difficult to achieve the National Defense Authorization Act (NDAA) requirement of obtaining SVC for those working sexual assault investigations. Further, it is problematic for NCIS offices to maintain investigative capability if an agent is away attending training for two weeks. In addition, although portions of the course were determined to be of benefit, overall NCIS did not support all the methodologies taught in the SVUIC course. For example, the Forensic Experiential Trauma Interview method is not supported by published research.

Description of Accomplishment: NCIS supports the cognitive interviewing technique

which is founded and researched by Ronald P. Fisher, PhD. and R. Edward Geilselman, PhD and taught to Air Force Office of Special Investigations investigators. In April 2014, NCIS and Judge Advocate General (JAG) SME reviewed the SVUIC model schedule and determined the mandated DoDI and SVC curricula could be covered in a one week course of instruction. This course would be more cost effective than the SVUIC and the decreased time away from their NCIS field offices would lessen potential impact to timely investigations. NCIS will be able to fund two iterations of this course for the remainder of the FY.

For FY 2015, NCIS is currently in the process requesting annual funding (starting in FY 2015) from OSD SAPRO for advanced training in adult sexual assault, as well as the other SVC related offenses.

NCIS

Title: Economic Crimes (EC) Program

Internal Control Reporting Category: Personnel and/or Organizational Management

Description of Issue: During this reporting period, the Naval Criminal Investigations and Operations Directorate (Code 23) established the FY 2014 - 2015 Program Direction Document (PDD) in support of the NCIS Strategic Plan. A review of the PDD set forth for FY 2012 - 2013 determined standardized Critical Activities (CA) had not been addressed in support of the EC Program. The EC Program strategic objective is to protect the integrity of the DON acquisition process to enhance fleet operational readiness and safety.

Description of Accomplishment: NCIS established one CA to measure overarching goals associated with EC program. This CA contains three Areas of Consideration (AoC) to measure the performance of the field offices in the EC mission. The AoCs include measurements of the fraud outreach campaigns (briefings), regional working group collaboration, per DoDI 5505.02, and, hours EC investigators dedicate to fraud investigations and operations. In addition, NCIS identified advanced training for investigators, which includes Advance Training in Procurement Fraud, Product Substitution, and the Certified Fraud Examiners Course.

NCIS

Title: Family and Sexual Violence Program

Internal Control Reporting Category: Personnel and/or Organizational Management

Description of Issue: A special skill and the appropriate certification are required to interview children who have been physically or sexually abused. These specialized interviewing techniques are not taught during a special agent basic training course and are

considered advanced training. This specialized training is also a requirement for the Military Criminal Investigative Organization's SVC. The certification to forensically interview a child is obtained at the National Children's Advocacy Center (NCAC) in Huntsville, AL. Due to the lack of funding, NCIS has not sent agents to NCAC in a several years. This has resulted in many of the NCIS offices not having the ability to interview child victims of suspected physical or sexual abuse. Although this affects all NCIS offices, it places a significant impact on OCONUS NCIS offices with no facilities available and/or personnel certified to interview child victims.

Description of Accomplishment: During FY 2014, NCIS was able to reallocate internal funding to send several OCONUS agents to attend NCAC training. As a result of an outstanding professional relationship with partners at the Family Advocacy Program, NCIS obtained \$40K to fund NCAC training of OCONUS agents.

NCIS

Title: Quality of Investigations

Internal Control Reporting Category: Personnel and/or Organizational Management

Description of Issue: The Director of NCIS is committed to an effective and meaningful process to ensure the quality of investigations through a systemic assessment and oversight program for operational excellence.

Description of Accomplishment: During the reporting period, NCIS HQ Code 14A (Planning & Evaluation) improved the case review process and NCIS's ability to conduct oversight of the quality of investigations through automation of the Standardized Case Review Sheet (SCRS). Automation of the SCRS allows faster and more efficient data collection and aggregation resulting in increased actionable information through more timely reporting and trend analysis. Timely reports provide NCIS Leadership with actionable information to better inform the quality of NCIS investigations and reviews.

ASN (FM&C)

Title: Collection and Review of Annual Confidential Financial Disclosure Report (OGE 450)

Internal Control Reporting Category: Personnel and Organizational Management

Description of Issue: The Office of Counsel (FMC) is responsible for collecting and reviewing Confidential Financial Disclosure Reports (OGE 450), for all covered positions within the Office of Assistant Secretary of the Navy (Financial Management and Comptroller (OASN (FM&C))). Confidential financial disclosure reports for covered positions are required by 5 Code of Federal Regulations (CFR) Part 2634 as a compliment to the public

disclosure system to guarantee the efficient and honest operation of the government. The FMC'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.

Description of Accomplishment: During the period 1 July 2013 to 30 June 2014, FMC timely collected OGE 450 from all 66 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. 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.

ASN (FM&C)

Title: Annual Public Financial Disclosure Report (OGE 278) and Periodic Transaction Reports (OGE 278-T)

Internal Control Reporting Category: Personnel and Organizational Management

Description of Issue: FMC is responsible for collecting and reviewing 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 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. The FMC'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.

Description of Accomplishment: During the period 1 July 2013 to 30 June 2014, FMC timely collected OGE 278 and OGE 278-T reports from each of the 14 covered positions within OASN (FM&C) and performed the initial review of those 278s. During this same period, FMC also collected and performed initial review of 1 OGE 278 termination report, 1 OGE 278 new entrant report, and 11 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.

2. Maintain Warfighter Readiness

CMC, Marine Corps Intelligence Activity (INTEL)

Title: System Architecture for Visual Analytic Net-centric Threat (SAVANT) Program

Internal Control Reporting Category: Intelligence

Description of Issue: The functionality of capturing, storing, retrieving, and disseminating intelligence information was at limit capacity. Subsequently, there was a lack of visibility into production progress to ensure enhanced compliance with intelligence community dissemination standards. A program needed to be implemented to correct deficiencies and automate processes, while significantly reducing manpower hours placed in the overall production and dissemination of intelligence information.

Accomplishment: The SAVANT Program effort has significantly and positively affected the Marine Corps INTEL. It has become an institutionalized architecture that captures, stores, retrieves, and disseminates intelligence information and production for the Marine Corps INTEL. The adoption of SAVANT provided visibility into the progress of production, established repeatable and automated processes for successful production, and promoted adherence to mandated standards. The SAVANT Program was already established across all functional production areas of the Command and it is in the nascent stages of introduction throughout the Marine Corps Enterprise. The future extension of SAVANT to external units and schoolhouses represents progress toward realizing an enterprise-level production environment. The architecture was developed and implemented with the persistent requirement for extensibility to the Marine Corps Intelligence community. The program has resulted in several quantifiable metrics to include increased production, decreased cycle times, and unprecedented exposure of Marine Corps Intelligence production on Joint Worldwide Intelligence Communications System, and more recently, Secret Internet Protocol Router Network (SIPRNET).

The following improvements are the result of implementing this initiative:

- Improved ability to capture, store, retrieve, and disseminate intelligence information.
- Improved visibility into the progress of production.
- Repeatable and automated processes for production.
- Enhanced compliance with intelligence community dissemination standards.
- Significant reduction in manpower for production and dissemination of products.

CMC, Marine Corps Forces Command (MARFORCOM)

Title: Ammunition Management-Class V (W) Ground Ammunition

Internal Control Reporting Category: Supply Operations

Description of Issue: There are significant transportation costs in repositioning assets, inventory shortfalls at Ammunition Supply Points due to improper positioning of Class V (W) Ground Ammunition, and lack of effective readiness posture for Contingency and War Reserve Assets. To mitigate ammunition shortfalls, there is a need to effectively and efficiently provide ammunition logistics support and forecasting.

Accomplishment: The MARFORCOM G-4 Ammunition Branch serves as a link between the operating forces and those higher/adjacent supporting establishments responsible for providing ammunition logistics support. The Ammunition Branch completes coordination and execution of the tasks necessary for the operating force to receive the appropriate level of ammunition logistics support required for mission accomplishment.

The Ammunition Branch has managed and supervised the Class V (W) allowances, anticipated forecasting, and confirmed global geographical positioning of assets in support of Marine Forces Command operating forces to include: annual training ammunition, Class V (W) Landing Force Operational Reserve Material (LFORM), and contingency and Force-Held Ammunition.

Redistribution and forecasting reduces the need for additional movement of Class V (W) assets, which produce a significant amount of increased transportation costs. Reducing the need to reposition assets throughout the FY has reduced overall inventory shortfalls that potentially impact Marine Forces Command unit training; therefore, preventing the possibility of units becoming non-mission capable due to lack of training assets.

Overall improvements include:

- Reduction in secondary asset movement.
- Reduced errors in allowance distribution in accordance with unit Tables of Organization and Tables of Equipment.
- Reduction of Special Allocation Requests with redistribution.
- Reduction in inventory shortfalls at Ammunition Supply Points due to proper positioning of Class V (W).
- More effective readiness posture of LFORM, Contingency and War Reserve assets.

CMC, Marine Corps Forces, South

Title: Creation of U.S. Marine Corps Forces, South Security Augmentation Force (Known as Marine Corps Response Forces, South (MCRFS))

Internal Control Reporting Category: Force Readiness

Description of Issue: Establishment of MCRFS was needed to address the unacceptable operational risk taken by Commander United States Southern Command (COMUSSOUTHCOM). Internal controls were needed to ensure the readiness and effectiveness of MCRFS.

Accomplishment: This force greatly reduces the time required to respond to diplomatic security requirements and enables the unit with the mission to prepare with geographically oriented training. Internal controls to ensure the readiness of this unit will be accomplished through pre-deployment training certification and participation in COMUSSOUTHCOM exercises.

This unit is drawn from general-purpose forces to prevent the needless application of special operations forces, expanding their utility and creating cost efficiency. Furthermore, establishment of this unit addresses an unacceptable operational risk for the COMUSSOUTHCOM.

CMC, Training and Education Command (TECOM)

Title: Range Management

Internal Control Reporting Category: Force Readiness

Description of Issue: The Marine Corps was unable to conduct live fire MEF level exercises; therefore, TECOM needed to acquire land and airspace to conduct safe, realistic, MEF-level exercises at Marine Corps Air Ground Combat Center – Twenty-nine Palms, California.

Accomplishment: During FY 2014 Marine Corps Air Ground Combat Center, Twenty-nine Palms acquired access to an additional 151,000 acres of public land to support MEF level exercises. The acquirement of land has resulted to the MEF level exercises characterized by three battalions maneuvering simultaneously over 48-72 hours to converge on a single objective

CNO, Bureau of Medicine and Surgery (BUMED)

Title: Internal Controls and Process Improvements for Training Conferences

Internal Control Reporting Category: Force Readiness

Description of Issue: The public scrutiny caused by other Federal agencies' imprudent conference spending served as a wakeup call. The Federal government's subsequent moves to implement essential internal controls to safeguard taxpayers led to a long period of constantly evolving rules, processes, and procedures.

Many Federal government agencies were not largely impacted, but the shifting of seas posed a serious challenge to Navy Medicine's ability to meet its mission and objectives. BUMED's motto is "World-Class Care... Anytime, Anywhere." The ability to deliver that level of care to Sailors, Marines, and the rest of the beneficiary population depends on ensuring medical practitioners have access to specialized training opportunities in a wide range of specialties. One of the primary measures for training is Continuing Medical Education hours that have strict requirements with many specialties requiring a prescribed number of in-person practical hours. The primary venue for training is professional conferences, which military providers and their private sector counterparts gain access to state-of-the-art techniques in highly specialized medical disciplines such as pediatric dentistry and neurological surgery.

In addition, to conference scrutiny OMB directed reductions in travel spending. When combined with DoD-directed reductions, this reduced available travel funding by 35%. Navy Medicine had to find alternate medical staff training methods to care for and support the warfighter and their families.

Description of Accomplishment: Navy Medicine set up a rigorous process to ensure conference attendance was scrutinized for mission criticality to include:

- Developed and disseminated detailed procedures for attending and hosting conferences. Procedures were posted to Navy Medicine's homepage to ensure the new ground rules got maximum visibility and could be quickly updated as higher level guidance changed.
- Developed and published a weekly list of conference packages received by BUMED, along with a SECNAV status. The list allowed personnel across Navy Medicine to verify if a conference was properly approved prior to travel authorization.
- Developed and implemented a Travel Mission Criticality Attestation form to ensure travel was in compliance with DON budget guidance. To complement the form a Conference Quota Manager was established to ensure that each approved conference attendees were included in the package provided to the SECNAV for approval. Implementation of the process assisted with the control of actual costs vs. planned costs, which added credibility to the packages sent forward to the SECNAV for approval.

From FY 2013 Q4 through FY 2014 Q3, Navy Medicine reviewed approximately 200 conference request packages and secured SECNAV's approval for 174. The remaining

packages were denied at the BUMED level as part of a rigorous screening process for events that did not present sufficient training content, were too costly, or could have caused potential image problems for Navy leadership. As a result of the processes and internal controls Navy Medicine implemented, 1,610 medical practitioners and researchers were able to remain current on new developments, enhancement of skill sets, and continue to provide world class health care to beneficiaries.

3. Lead the Nation in Sustainable Energy

N/A

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: Comptroller and/or Resource Management

Description of Issue: Uniform and consistent controls to monitor purchase and travel card programs within ASN (EI&E).

Description of Accomplishment: ASN (EI&E) standardized the purchase request process by using preventive and detective controls. Cardholders now use the same supply request forms and logs. Through monthly and semi-annual audits, the use of non-mandatory sources was reduced to less than one percent. Refinement of Internal Operating Procedures encourages a better understanding of internal controls and compliance procedures when using the government purchase card to procure goods and services. As a result, during this year's DFAS desk-top audit, the command received the highest rating of "acceptable" with no repeat findings and no deficiencies. Agency Program Coordinator (APC) established monthly meetings to inform cardholders of changes in policies and procedures and to address issues that may become design and control deficiencies.

During monthly and quarterly travel cost audits, verified travelers' compliance with the Joint Travel Regulation in exercising prudence when incurring Government-paid expenses while traveling. To comply with Defense Travel System (DTS) separation of duties, permission levels and associated responsibilities, a complete review and validation of the responsibilities of personnel for Lead Defense Travel Administrator, Organizational Defense Travel Administrator and Finance Defense Travel Administrator, and personnel retaining levels above 0, 1, & 2, in accordance with Defense Travel Management Office DTS Roles and Permission Rules was performed.

CMC, Installations and Logistics

Title: Government Commercial Purchase Card (GCPC) Program

Internal Control Reporting Category: Comptroller and/or Resource Management

Description of Issue: Due to GCPC instances of fraud, waste, and misuse, internal controls were needed to monitor and review transactions on a periodic basis. There were an estimated 2,000 active purchase cards with 165 compromised. To minimize financial implications, mandatory reviews and reporting processes were needed to prevent the purchase of unnecessary supplies and services, while achieving minimal interest payments.

Accomplishment: The Marine Corps GCPC program is a robust mechanism with over 115,000 transactions totaling \$89.7M. With close to 2,000 active purchase cards, it is critical that GCPC account managers monitor purchase card transactions for instances of fraud, waste and misuse. Approving Officials (AO) are required to perform monthly reviews of every transaction completed by their Card Holders (CH). In addition, to the required AO review, DON policy also requires each Level IV APC to perform a 100% transaction review of all CHs within their hierarchy. Such measures have kept invalid transactions and other instances of misuse well within the acceptable 1% maximum of all transactions.

Over the past two years, GCPC instances of transactions flagged for review has steadily decreased by 38% and the number of card infractions has decreased by 85%. As reported in the 2013 SOA, GCPC instances of transactions flagged for review decreased by 17%, card infractions decreased by 30%, and the number of compromised cards decreased from 165 to 15. For the current reporting period, GCPC instances of transactions flagged for review have decreased by an additional 21%, the number of card infractions has decreased by 55%, and the number of compromised cards reported decreased from 15 to 5.

Improvements in reducing instances of invalid transactions to include instances of fraud, waste, misuse and compromised cards have steadily decreased due to the rigorous internal controls in place for the GCPC program. Monthly, quarterly, and semi-annual reporting requirements based upon mandatory 100% transaction review have proven to be effective and efficient in mitigating GCPC program associated risk.

The mandatory review and reporting process has assisted the Marine Corps in avoiding payment for unnecessary supplies and services. In addition, program wide interest remains significantly below the 1.0% standard. FY 2014 interest paid is significantly lower than the average with a current percentage at 0.00004% of the total obligated funding.

CMC, Communication Office - Public Affairs

Title: Marine Corps Trademark Licensing Program Office (TMLO)

Internal Control Reporting Category: Procurement

Description of Issue: In an effort to minimize further scrutiny the Marine Corps TMLO needed to realign the USMC brand to focus on patriotism. Manufacturing standards needed to be developed for licensed companies to avoid being associated with sweatshops by labor groups. This includes risk mitigation in the supply chain, social compliance adherence, brand realignment, monetary incentives for manufacturing goods in the U.S., and jobs created as a result of royalty reductions for stateside manufacturers.

Accomplishment: The Marine Corps TMLO manages the protection and licensing of historic USMC marks such as the Eagle, Globe, and Anchor worldwide. In 2012, a fire in the Bangladesh Tazreen Fashion Factory killed 112 employees. Labor advocate groups have labeled Tazreen Fashion Factory as a sweatshop. USMC design specs and order forms were discovered in the rubble. This finding led to TMLO's suspending the license agreement of MJ Soffe, the USMC's highest grossing licensee, due to non-compliance with the USMC's manufacturing standards. In partnership and coordination with the Department of Labor, Department of State, Department of Commerce, and U.S. Trade Representative, TMLO developed, vetted, and began implementing increased manufacturing standards through their 460+ licensed companies. Among the achievements, during the 12-month period ending 5 May 2014, TMLO generated approximately \$2.1M in royalty revenue and transferred \$700K to USMC Morale, Welfare, and Recreation (MWR) programs in accordance with 10 USC 2260. These initiatives provided better brand alignment and focus on the patriotic nature of the USMC.

In December 2013 TMLO implemented an increased supply chain risk mitigation policy aimed at identifying high risk global manufacturing locations (i.e. textiles from Bangladesh). During partnership with the Department of Labor, Department of State, Department of Commerce, and U.S. Trade Representative, TMLO developed, vetted, and implemented a new policy at 460+ licensed companies. The benefits associated with the increased social compliance standards are as follows:

- Increased risk mitigation in the supply chains of official USMC licensees.
- Increased visibility and accountability of licensee social compliance adherence.
- Increased monetary incentives offered for licensees creating products that are "Made in USA" in accordance with Federal Trade Commission definitions.
- USA based jobs created as a result of TMLO's royalty reduction for products manufactured stateside.
- Brand realignment with focus on the American patriotic nature of the USMC.

During the 12-month period ending 5 May 2014, TMLO generated approximately \$2.1M in royalty revenue and transferred \$700K to USMC MWR programs in accordance with 10

USC 2260. This quantitative and qualitative improvement is part of a larger Trademark Licensing Program geared to foster good will, promote positive USMC public image and assist with brand protection worldwide.

The following improvements, cost reductions, and avoidances are the results of TMLO's social compliance and 'Made in USA' incentive program:

- Improved brand alignment (historic Americana brand promotes, “Made in USA” manufacturing).
- Improved internal controls for supply chain (child labor, forced labor) risk mitigation.
- Improved social compliance and accountability measures of USMC Licensees.
- TMLO licensing revenue used to cover program costs and supplement MWR programs.
- TMLO operates using funds generated from Trademark Licensing activities and does not rely on appropriated funds.
- TMLO transferred \$700K (April 2014) in royalties generated to Marine Corps Community Services Family and Readiness Programs in accordance with 10 USC 2260.

The key advantage of the Trademark Licensing Program is the improved USMC public image and brand protection worldwide via the commercial licensing of Marine Corps Trademarks.

CMC, Marine Corps Logistics Command

Title: Inventory Held with no Demand for over 5 Years

Internal Control Reporting Category: Supply Operations

Description of Issue: Inventory was stored without demand for over five years without being reassessed. In order to comply with Section 328 of the NDAA, proper Inventory Management Improvement Plans were needed to effectively reduce the acquisition and storage of Secondary Inventory in excess of requirements.

Accomplishment: In viewing the prior semi-annual requirements and inventory posture reporting trends, Wholesale Inventory Control Point Planning Division (WIPD) personnel identified opportunities to improve in the area of inventory being stored with no demand for over five years.

In accordance with Section 328 of the NDAA for FY 2010 and the resultant Comprehensive Inventory Management Improvement Plan, DoD components, and DLA are to reduce the acquisition and storage of secondary inventory that is requirement excessive. WIPD personnel established a USMC comprehensive review process to address the issue. All inventory held for retention levels above the Approved Acquisition Objective must be reviewed and justified for retention. All inventory identified as excess must have disposal

actions taken within 30 days of categorization. In addition, inventory is reviewed in context of the number of years held without a demand.

The semi-annual inventory review process area was strengthened by requiring Material Managers to address, not only the normal stratification elements (demand, deficiencies, repair, return, retention, etc.), but also added a focused criteria for inventory held over five years with no demand. Overall, excess posture, compared with total inventory, decreased from 15% to 3% over the past 12 month reporting period.

- Inventory held for over five years without a demand decreased by 47% (\$109.5M) over the past 12 month reporting period.
- The National Stock Number (NSN) count for inventory held for over five years with no demand decreased by 35% (2,556) over the past 12 month reporting period.

As a result, there will be a reduction in shortage costs, and labor costs. As well as elimination of stratification, review of 2,400 NSN tables in future stratification cycles.

CMC, Marine Corps Systems Command (MCSC)

Title: Compliance with Statutory Requirements for Undefined Contract Actions (UCA)

Internal Control Reporting Category: Contract Administration

Description of Issue: Contracting Officers (CO) did not consistently comply with UCA statutory requirements as determined by the DoDIG. Regulations were not being followed when issuing UCAs due to poor acquisition planning and changes in requirements after the UCA was issued. Profit was not properly determined and COs were unaware of funding limits. Due to a lack of contract oversight, there are potential instances of overpayment and profit due to increased cost-risk in the award and negotiation process.

Accomplishment: DoDIG determined MCSC COs did not consistently comply with UCA statutory requirements. DoD regulations were not followed when issuing UCAs. UCAs were issued unnecessarily because of poor acquisition planning and a change in the requirements after the UCA was issued. Profit was not adequately determined. Finally, COs were unaware of funding limits and did not adequately document that the Government received a fair and reasonable price. As a result, MCSC assumed increased cost risk in the award and negotiation process and may have paid excess profit.

Guidance regarding UCAs was released on 28 March 2014 as a draft Contracts Policy Letter, pending inclusion in the MCSC Acquisition Regulation Supplement. The guidance addressed local policies and procedures, regulations, and obligation and profit limitations for UCAs. Release of this policy was the event established for resolution of this material weakness in the 2013 CAP.

In addition, the number of UCAs issued by the Command has been reduced dramatically since the identification of this issue in October 2010. As of March 2013, all outstanding UCAs were definitized with no new issuances.

Release of the policy letter resulted in the following improvements:

- Reduced risk of over obligating UCAs and over-paying profit.
- Increased documentation of fair and reasonableness of definitized prices.
- Greater compliance with the FAR, Defense Federal Acquisition Regulation Supplement, and the Navy/Marine Corps Acquisition Regulation Supplement.

DON/AA

Title: GCPC Program

Internal Control Reporting Category: Procurement

Description of Issue: The GCPC Program needs to be closely monitored to ensure internal controls at DON/AA are operating as intended. There are currently several policies and procedures that need to be written and implemented in order to be audit ready.

Description of Accomplishment: In December 2013 and January 2014, the GCPC Program held successful semi-annual desk reviews of DON/AA purchase card operations to include a transactional review and Internal Control Management Review (ICMR). The transactional review consisted of two findings, with the ICMR discovering four findings. The extent of the findings resulted from a lack of training and supporting documentation discrepancies. The GCPC Program held a quarterly Secretariat training session with Level 5 APC to go over internal control process updates and possible efficiencies. In addition, the APC attended DoD Purchase Card Program Office onsite training at General Services Administration (GSA). Due to the APCs extended training the GCPC Program continues to make progress on PoAM that consists of the following: GCPC check-in and check-out procedures and updating internal operating procedures. The APC will also be coordinating with DON/AA Financial Management Division on the standardization of processes with respect to FIAR.

DON/AA

Title: COR Management Program

Internal Control Reporting Category: Contract Administration

Description of Issue: DON needs to improve COR management program.

Description of Accomplishment: Through the implementation of the COR Tracking Tool the program begin monitoring and tracking CORs. A COR desk review was conducted with

a documented lessons learned. NAVSUP Fleet Logistics Center/Philadelphia assessed six major Secretariat contracts with satisfactory results with no major findings and few discrepancies. As a result of the discovered exceptions a streamlined template for Contractor's Performance was established for option year service contracts between \$150K up to \$1M. In addition, there is collaboration with DON/AA HRD and DASN (AP) to develop COR Performance FY 2015 Objectives and Standards.

5. Dominate in Unmanned Systems

N/A

6. Drive Innovative Enterprise Transformation

CMC, Deputy Naval Inspector General for Marine Corps Matters/Inspector General of the Marine Corps (IGMC)

Title: Investigations, Inquiries, Inspections of Reported or Discovered Incidents of Fraud, Waste, Misuse, Misconduct, and Mismanagement

Internal Control Reporting Category: Other - Investigations

Description of Issue: DoD IT systems consolidation is an ongoing issue that is being addressed enterprise wide. The consolidation of the Case Management Systems (CMS) that report on fraud, waste, misconduct, and mismanagement will assist with data integrity, redundancy, and cost. Upgrading, consolidating, and automating the Assistance and Investigation (A&I) Division IT systems will create financial efficiencies.

Accomplishment: A&I Division conducts investigations, inquiries, inspections of reported or discovered incidents of fraud, waste, misuse, misconduct, and mismanagement. A&I Division is responsible for maintaining the Marine Corps Hotline Program and CMS for all IG Inquiries.

During the period of 1 July 2013 to 30 April 2014, A&I Division conducted the following 408 Investigations:

- 366 –Assistance Cases
- 32 – Investigations
- 8 – Senior Official Investigations
- 2 – Senior Official Preliminary Inquiries

By converting the annual IGMC Symposium into a mobile training team venue, IGMC was able to bring all Marine Corps IGs together, conduct substantive training, and map out a strategy to address work force turbulence created by civilian furloughs and government shut down. By revising the Symposium, IGMC averted insurmountable backlog of cases that affect many units and military personnel to include pay, promotion, safety, security, training and quality of life. A&I implemented significant upgrades to its CMS and devised a process

that transfers realms of IG case material through electronic means instead of costly Federal Express (FEDEX) mail. The ultimate goal of eliminating the need for FEDEX by FY 2016 is now 75% complete, for a savings of over \$20K in management costs. In addition, to costs savings, the electronic case transfer process guarantees timeliness, efficiency and records security. The CMS upgrades have positioned IGMC for connection and expansion to the DoDIG CMS called Defense Case Activity Tracking System (D-CATS). D-CATS will link all service Inspectors General's CMS systems, which will encompass the DoD case management enterprise.

A&I implemented the most cutting edge innovation for witness testimony transcripts by adopting "Speak Write" technology which converts audio testimony into digital files which are transcribed and returned to A&I in less than eight hours. The dramatic improvement with accuracy, speed, efficiency, and cost were so dramatic that the cost to produce witness testimony transcripts for IGMC investigation was reduced by 80%.

CMC, Staff Judge Advocate to the Commandant (SJA)

Title: Expansion and Adoption of the USMC CMS as the DON Single Case Tracking Database

Internal Control Reporting Category: Other - Legal

Description of Issue: Due to multiple DON tracking systems identified in Senate Report 112-26, the Senate Armed Services Committee ordered the development of a single system no later than 1 July 2013. The expansion and adoption of the Marine Corps CMS was needed to allow the DON to track cases. The implementation of the CMS will assist the Navy's JAG and Marine Corps SJA maintain visibility of reported cases from "cradle to grave" within the military justice system, while reducing processing times and creating speedy post-trial reviews.

Accomplishment: The expansion and adoption of the Marine Corps CMS enables the DON to track cases from "cradle to grave" giving the JAG and SJA visibility of all cases associated with the Department's military justice system.

United States vs. Moreno set standards for speedy post-trial processing of special and general courts-martial, requiring justification of post-trial processing that exceeds 120-days from the completion of trial to Convening Authority's Action (CAA), or exceeds 30-days from CAA to docketing of the case with the Court of Criminal Appeals.

The Marine Corps averaged 87 days from the date of trial to CAA and 12 days from CAA to docketing of the case with the Navy-Marine Corps Court of Criminal Appeals; therefore, as a result of the Marine Corps CMS no convictions were reversed for violation of the right to a speedy post-trial review or for administrative deficiencies.

Although there are many contributing factors to the improved post-trial processing times, no single factor is more important than the evolution of the Marine Corps CMS.

CNO, Bureau of Naval Personnel (BUPERS)

Title: Military Pay (MILPAY) and Military Permanent Change of Station (MILPCS) Audit Readiness

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: BUPERS needs to perform MILPAY/MILPCS Post-Assertion to strengthen audit readiness.

Description of Accomplishment: As the DON's lead for MILPAY there were coordinated efforts with Navy FMO to make significant progress towards audit readiness. These efforts supported the DON's evaluation and decision to assert the MILPAY AU as audit ready on 29 March 2013. Since MILPAY's assertion BUPERS continues to implement the appropriate steps to strengthen and reinforce an auditable environment with the execution of the following:

- Continued coordination with stakeholders.
- Conducted sustainment testing in preparation for the Independent Public Accountant (IPA) examination.
- Prepared materials to support the IPA examination, including scoping and testing methodology overviews.
- Supported the collection, testing, and evaluation of KSDs during IPA examination.

As the DON's Lead for the MILPCS Work-stream, there were coordinated efforts with Navy FMO to make significant progress towards audit readiness. These efforts supported the DON's evaluation and decision to assert MILPCS as audit ready on 31 May 2014. Key accomplishments are as follows:

- Continued coordination with stakeholders.
- Planned and executed multiple rounds of controls and substantive testing (including the request, receipt, and validation of approximately 900 samples).
- Implemented nine CAP.
- Developed business process descriptions and maps.
- Performed control activities and data reconciliations.
- Compiled assertion deliverables.
- Received an overall 98.3% pass rate during Round 2 testing.

BUPERS will continue to make ongoing process improvements and support audit readiness for MILPAY and MILPCS throughout FY 2014.

CNO, Naval Reserve Force

Title: FIAR Accomplishments and BPS Reviews

Internal Control Reporting Category: Comptroller and/or Resource Management

Description of Issue: Naval Reserve Force needs to complete FIAR and BPS-mandated requirements.

Description of Accomplishment: The FIAR testing team conducted four rounds of Military Standard Requisitioning and Issue Procedures (MILSTRIP) testing. Fuel is the single largest expense within Commander, Navy Reserve Forces (COMNAVRESFOR) MILSTRIP population. During testing, the team noted that there was a positive audit outcome for squadrons that used the COMNAVRESFOR Fuel Tool software. Consequently, the team issued a corrective action requiring all squadrons to use the tool. The tool's internal controls assisted with the verification of purchases transmitted from DLA's Enterprise External Business Portal to FASTDATA and Standard Accounting and Reporting System-Field Level, which reconciled with minimal exceptions. All exceptions were quickly identified and corrected. Key accomplishments are as follows:

- Conducted four rounds of MILPAY testing.
- Conducted three rounds of Contracts & Vendor Pay (CVP) testing.
- Conducted five rounds of Reimbursable Work Order (RWO) testing.

Inspections were conducted at the following three Echelon IV Commands:

- Naval Air Facility Washington.
- Reserve Component Command (RCC) Southeast.
- RCC Southwest.

Each inspection included a review of Reserve Pay, Civilian Pay, Operations & Maintenance Navy Reserve, Accounting Operations, and audit readiness corrective actions for MILSTRIP, Purchase Card, Travel, and MILPAY.

System controls were reviewed in the FASTDATA environment to ensure its compliance with related FISCAM requirements. FMO conducted two rounds of testing and each time COMNAVRESFOR's score was greater than 90%.

COMNAVRESFOR standardized and improved business processes by developing process maps for the MILPAY, MILSTRIP, CVP, RWO and Financial Statement Compilation Reporting business segments. The maps revealed audit gaps and internal control weaknesses, which were subsequently corrected.

NAVINGEN

Title: Civilian Time and Attendance

Internal Control Reporting Category: Comptroller and/or Resource Management

Description of 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; therefore, ensuring that the proper controls were in place to prevent against fraud, misuse, and mismanagement of the DON's limited resources.

Description of Accomplishment: Time and Attendance Reporting (Timekeeping) was one of five AUs reviewed. The PM completed the required training via Navy Knowledge Online and conducted a MIC review on Timekeeping. Four internal SLCADA self-assessments were conducted during the reporting period. Self-assessments compared approved requests to the leave hours entered in SLDCADA system. 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.

NCIS

Title: Establishment of Classified Consolidated Law Enforcement Operations Center (CLEOC), VITALS and Knowledge Network (K-Net) in the SIPRNET environment

Internal Control Reporting Category: Information Technology

Description of Issue: There is antiquated CMS for storage of sensitive Counterintelligence/Counterterrorism (CI/CT), and Cyber investigations and operations. That results in inability to capture, store, research, and retrieve vital investigative and operational records.

Description of Accomplishment: The National Security Directorate in collaboration with the IT Directorate implemented classified CLEOC. Classified CLEOC provides NCIS users worldwide with the capability to prepare sensitive CI/CT and Cyber investigations and operations in a classified web based environment. Classified CLEOC was designed with specific fields to capture pertinent data sets in accordance with report writing standards. Providing a standardized format and drop down menus decreases the risk of typographical and reporting errors which increases the quality and reliability of reporting.

A classified version of VITALS, a web based system used to extract, compile and provide reporting from information captured in classified CLEOC was released following the implementation of classified CLEOC. The tool is instrumental in providing detailed reports to support field office assessments and answer internal and external data calls for CI/CT and

Cyber investigations and operations. As a result of the functionality and standardized reporting format provided by classified CLEOC, Secret Internet Protocol Router Knowledge Network (K-Net) has an enhanced capability to conduct searches within the text of a document and provides a mechanism for individuals to collect pertinent information based on specific profiles. A study was conducted to compare the production of reports in classified CLEOC to information captured in K-Net via VITALS, revealed less than a 1% margin of error. This effort will significantly enhance the National Security Directorate and NCIS field offices capability to create, store, track, search, retrieve and report investigative and operational efforts conducted by NCIS worldwide.

Office of Naval Research (ONR)

Title: IT Efficiency Initiatives

Internal Control Reporting Category: Information Technology

Description of Issue: ONR needs to improve the efficiency of multiple aspects within its IT systems.

Accomplishment: ONR completed two major IT efficiency initiatives. The first was ONR's migration to the Defense Information Systems Agency (DISA) provided service known as Joint Enterprise Email (JEE). The JEE solution provided numerous operational benefits for ONR members. In addition, it generated hardware, software, and manpower savings of an estimated \$100K per year.

The second major IT efficiency improvement was completion of ONR's Domain Consolidation project. During this project, ONR successfully established six .mil circuits with the required Certification and Accreditation (C&A). ONR teamed with the ONR HQ Information Assurance Manager members to submit the C&A packages through Navy Fleet Cyber Command and DISA. With the ONR Wide Area Network (WAN) fully established, all users now have access to internal resources as well as ONR HQ resources. ONR's WAN operations were thoroughly tested through a Cyber Security Inspection (CSI). ONR passed with only two minor Category I findings that were corrected within 48 hours. All Category II findings were corrected within 90 days. Passing the CSI was strong validation of the ONR Information Assurance program.

ONR

Title: Review of MICP

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: ONR's MICP needs revision to align with the consensus of other DON MIC programs.

Accomplishment: To address internal debate over the design and implementation of ONR's MIC Program, ONR's Executive Officer led a thorough review of ONR's MICP and revised its MICP instruction to reflect the consensus opinion of the AU managers. The revised draft instruction program was presented to ONR's IG Team during ONR's Command Inspection and to the ONR MIC coordinator. The revisions were validated and ONR was complimented on its robust program and timely inputs. ONR will issue the revised instruction upon the completion of this year's review and annual certification.

ASN (FM&C)

Title: Civilian Personnel Budget Exhibit Automation

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: The OP-8 Part 2 Exhibit (Reimbursable Civilian Personnel Costs) reflects reimbursable sources of funding by appropriation and by Component/Agency. BSO submits civilian personnel budget exhibit utilizing an Excel spreadsheet template. However, consolidation of each submitted exhibit to produce a DON version for submission to the OSD required unnecessary man-hours due to inconsistent formatting by BSOs and data not matching controls.

Description of Accomplishment: A web-based tool has been designed, with a variety of checks, to ensure data matches controls and is consistent with PBIS. Each of these modifications has improved management control over budgetary data and decreased the need for manual review to correct BSO's errors.

ASN (FM&C)

Title: Civilian Personnel Pricing Tool (CPT) Enhancement

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: The CPT projects labor dollars based on execution data reported in the Work Year Personnel Cost (WYPC) database and the latest pay raise factors provided by the OSD and OMB guidance for the budget years. BSOs use the Tool's projections in

updating and revising pricing of the Full Time Equivalents in the OP-8 exhibit for the DON review cycle.

Description of Accomplishment: The web-based application has been enhanced significantly through several functionality additions. The Office of Budget (FMB) added a capability to drill down to the budget line item level of detail. Previously, the CPT provided projections and its output at the appropriation level. Additional detail was difficult to determine because budget data and execution data are recorded using different data sets. The tool is now able to cross-reference data attribute combinations of subhead and unit identification code from the execution data extracted from the WYPC system to the Line Item field in the PBIS. This new capability to calculate and project pricing at the Line Item level of detail adds significant value to the CPT as a budget review and justification tool. Analysts can analyze civilian personnel budget submission data at the same level budget exhibits are prepared and submitted to OSD and Congress.

Another enhancement that has been achieved is the auto-population of data elements at the direct and reimbursable fund type level. Previously, BSO analysts were required to input manually to break out the fund type of direct and reimbursable, however, with WYPC system's enhancement of reporting data at a greater level of detail, CPT has been re-coded to pick-up the data it gets from WYPC and pre-populate the Data Input tabs by reducing the required man-hours by BSO analysts for manual data input.

ASN (FM&C)

Title: Enhancements to the Department's Program Budget Information System - Information Technology (PBIS-IT) System

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: In the year following the deployment of the DON's PBIS-IT, enhancements were needed to improve the mapping and cross walk of data fields between the DON's PBIS and OSD's Select and Native Programming Data Input System for Information Technology (SNaP-IT). Because of this integration across multiple systems, the business rules that ensure data accuracy increased in complexity and were generally performed manually.

Description of Accomplishment: PBIS-IT has significantly enhanced and formalized the DON's IT Budget procedures by the development and deployment of additional system and application improvements. There are seven key enhancements in PBIS-IT to improve data accuracy and enable more timely identification of errant data. These improvements include:

- PBIS-IT Kiosk Update: Alert the analyst when business rules are not present.
- Automated Information System (AIS): Display information from the AIS, Department of Defense Information Technology Portfolio Repository (DITPR)-DON and Budget Identification Number tables for selected AIS with Extension

combination. DITPR-DON information is updated weekly so that users can readily see data disconnects from the latest updates.

- PBIS-IT Issue Management: Limit the issue catalog in PBIS-IT so that users do not have to search all active PBIS issues.
- PBIS-IT Upload Enhancements: Add both Whole Cloth and Delta User options for uploading data to PBIS-IT. FMB adds functionality to alert users on potential wrong file upload based on existing filter and loaded file data.
- PBIS-IT Single Record Addition, Copying, Modification: Enable PBIS-IT users to add, copy, and modify records based on PBIS database.
- PBIS-IT Group Modification: Allow PBIS-IT users to change the Add Flag and Status of existing PBIS-IT records.
- PBIS-IT and SNaP-IT Exhibit 53 Automation: Identify, collect and house IT budget data categories (Major, Minor, DIAP).

ASN (FM&C)

Title: Improvements to Object Classification Data through the Incorporation of the Period of Availability Data

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: Object Classification Data was a focus of OUSD (C) over the past several years. The DON recognized the necessity to strengthen the accuracy of object class data within the Budget Object Classification System (BOCS). A new data field was added to BOCS during the FY 2013 year end submission in reporting actual obligations by object class which resulted in enhanced accuracy and identified the necessity to strengthen BSO BOCS reporting procedures.

Description of Accomplishment: Budget Office SMEs determined that if period of availability were known for obligations, the accuracy of the object data reported in BOCS and accounting systems would improve. Therefore, for the FY 2013 year end submission, a new BOCS data field was added requiring the period of availability be provided along with the standard obligation data. In this effort, the Program Budget Coordination Division (FMB-3) provided system training identifying the new reporting requirements and heightened awareness to record object class data correctly. BOCS submissions from the FY 2013 end of year reporting through the FY 2015 President's Budget Submission provided FMB-3 with necessary experience to assist BSOs in improving object class data reporting through continued training in the FY 2014 spring timeframe.

ASN (FM&C)

Title: Improvements to the Funds Control Process in Order to Strengthen Material Control for the Counter Narcotics (CN) Program

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: During a recent Navy Criminal Investigative Service review of DoD CN funding that was executed by the DON, auditors requested detailed Funding Allocation Document (FAD) history for these Treasury Index 97 transfers. While the DON was able to produce the requested documentation, reporting weaknesses were noted in internal coding structure that prevented immediate access to these records.

Description of Accomplishment: During the course of the requested document assembly of CN FADs, it was identified that while the individual FADs were properly annotated with appropriate footnotes, the PBIS data did not specifically segregate CN transactions from other similar transaction types. This required the time consuming review of multiple years' worth PBIS data and FADs before the complete collection was assembled. To streamline this review in the future, the Program Control Fiscal Operations Branch (FMB-33) formalized a new coding structure for CN FADs where the PBIS "F4 Field" is populated with "CN" to ensure these FADs can be quickly searched. Another benefit of this coding feature is that it allows an immediate spot check of CN funding from PBIS without having to extract all of the FADs to conduct the review. Finally, this new structure will assist in the DON audit in the future as well as the DoD audit of the Defense Wide funds that are executed by the DON.

ASN (FM&C)

Title: Navy Working Capital Fund Flash Cash Daily Report Automation

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: The DON Financial Management and Civilian Resources and Business Affairs Division (FMB-4) receives weekly updates from DFAS-Cleveland on the DON's cash balance using an excel spreadsheet called "flash cash report". This manually prepared report is labor intensive, complex, prone to error, and excludes Navy disbursements processed by DFAS-Columbus and DFAS-Indianapolis, making it less accurate. Due to the report's complexity, DFAS-Cleveland provides a weekly report. The flash cash report was the only tool available to DON that allows for the monitoring of the cash balance at the activity level. Daily cash balances will be required starting FY 2015.

Description of Accomplishment: In order to improve the frequency, accuracy, and reliability of the flash cash report, a web-based system called "Flash Cash Daily" was developed.

ASN (FM&C)

Title: Supporting Audit Readiness Enhancements

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: FMB-3 identified an audit readiness weakness in the area of archiving supporting documentation. Specifically, weaknesses were recognized in the Appropriation Control process in support of the Fund Balance with Treasury (FBWT) and in the Execution User Review. The 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. It was determined that these transactions must be archived to provide supporting documentation for the DON's audit.

In addition, an archive weakness was identified during the DON's 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 quarterly. The DON conducted an execution review of users to affirm that non-execution personnel were not assigned with execution privileges. Following the completion of the first review, it was determined quarterly review results must be archived to provide supporting documentation for auditability.

Description of Accomplishment: In an effort to support audit readiness, FMB-3 has accomplished two new archive processes:

1. All FBWT's transactions, entered in PBIS are published in a quarterly report, forwarded to Assistant Secretary of the Navy Financial Operations audit team, and archived by FMB-33. The information is now readily available for the DON's audit.
2. The Execution User quarterly review data of eligible personnel with execution privileges is archived at PBIS web Administration website: <https://fmbweb1.nmci.navy.mil/cfdocs/pbisadmin/index.cfm>. The information can now be retrieved as supporting documentation for audits.

ASN (FM&C)

Title: WYPC System Enhancements

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: The WYPC is a collection of bi-weekly gross pay files. Previously, WYPC would provide total amounts by category (i.e. salary, overtime, awards, Federal Employees Health Benefits, and Federal Insurance Contributions Act). However, Direct and Reimbursable amounts were provided separately at the Object Class level only.

Description of Accomplishment: This year, WYPC was enhanced to provide FMB-4 and Commands with detailed information for Reimbursable funds. Now with each category having its own corresponding reimbursable line, it can be determined how much was spent or how many hours worked for each object class captured in WYPC, and can determine both Direct and Reimbursable amounts for each category. The WYPC data is used for multiple tasks, including monthly execution (used to track against the BSO's plans) and CPT (used to establish trends in execution to project future requirements), as the official reporting system used in certifying year-end obligations. This enhancement improves accuracy in reporting and dramatically reduces man-hours required for BSOs to update monthly execution data.

ASN (FM&C)

Title: Navy Actions Related to Improper Payments Information Act (IPIA) and Improper Payments Elimination and Recovery Improvement Act (IPERIA)

Internal Control Reporting Category: IT

Description of Issue: Beginning in 2013, DON began performing sampling, testing, and reporting for improper payment reviews of commercial payments to contractors and vendors made out of the Navy ERP to comply with updated Financial Management Regulation (FMR) guidance. For FY 2013, there were more than \$1.2 billion in transactions for commercial vendor payments across both General Fund and Working Capital Fund activities for the six (6) Major Commands using Navy ERP: NAVSUP, ONR, NAVAIR, Naval Sea Systems Command (NAVSEA), Space and Naval Warfare Systems Command (SPAWAR), and Strategic Systems Programs Command (SSP). To continue to meet the IPIA requirement, DON has established procedures and implemented new controls over the disbursement process to eliminate improper payments and ensure reporting compliance.

Description of Accomplishment: The DON management has taken the following initiatives to ensure that DON adheres to IPIA and IPERIA requirements:

- Assigned responsible oversight officials to prepare and update the DON's Annual IPIA Sample Plans, draw monthly samples, and review and monitor IPIA test results.
- Issued desk procedures and provided training to staff for establishing step-by-step instructions on how to conduct IPIA reviews and in the event that improper payments are identified, how to perform root cause analysis and prepare corrective actions to address them.
- Established an effective communication channel with FMO and individual Comptrollers.
- Coordinated sampling and testing methodology with the National Center for Cost Analysis, OSD, and OMB. Received approval for the Navy ERP IPIA Sampling Plan.

- Designed and tested "DO NOT PAY" methodology that prevents payment errors before they occur in order to protect taxpayer resources from waste, fraud, and misuse.
- Created new comprehensive DON Intranet Web site for use by FMO management and Command staff. The site contains governing criteria for IPIA and IPERIA, as well as IPIA test samples and results.

In addition, the FMO-led IPIA Compliance Team provides additional controls which have allowed DON to achieve business improvement performance targets to (1) identifying root causes, (2) establishing CAPs, and (3) processing recoveries. To date, the FMO-led IPIA Compliance Team has reviewed \$1.2 billion in commercial vendor payments samples. Given the internal controls and improved system environment for processing payments, DON has not identified any improper payments made to date.

ASN (FM&C)

Title: Navy ERP Change Request (CR) Prioritization

Internal Control Reporting Category: Information Technology

Description of Issue: The DON's Financial & Accounting System, Navy ERP is used as the Accounting System of Record (ASR) for six Commands: NAVAIR, NAVSUP, SPAWAR, NAVSEA, ONR, and SSP. The system currently has over 65,000 users and manages over 52% of the Navy's total obligation authority. Although the system has completed full Command deployment, the system regularly requires System Change Request (SCR) to adjust to a changing systems environment as well as maintain auditable system controls and compliance with laws, regulations, and policies. To help account for the multiple stakeholders and appropriately meet audit and compliance regulations, FMO-1 developed a governance and prioritization process to efficiently implement the most important Navy ERP CRs.

Description of Accomplishment: FMO-1 conducts quarterly Navy ERP CR prioritization. Prioritization occurs on all CRs that impact finance or financial compliance or audit. Prioritization does not occur on CRs that impact only supply, workforce management or acquisition since these CRs do not impact finance, financial compliance or audit. FMO leads the weekly Financial Process Council (FPC), a governance community with over 100 participants from the six Navy ERP Commands in conjunction with advisory members from the following: DFAS, Deputy Chief Management Officer, CNO, and ASN (RD&A). This community serves as the forum for finalizing system CR requirements to gain leadership approval, secure funding, and provide documentation necessary to implement the CR. To date, the DON FPC has discussed over 200 potential CRs, and has effectively organized the implementation of the 10 critical changes required to meet audit and compliance priorities.

FMO-1 prioritizes CRs that impact audit and compliance by due date associated with audit and compliance requirements. Short-term audit requirements have assertion due dates

assigned to FMO-1 by the audit team. Long-term audit requirements have an assertion due date, defined by the DoD, to be end of FY 2017. Compliance requirements have assertion dates defined by the governing body that released the compliance requirement. For CRs with the same due date, FMO-1 evaluates the overall impact on business operations to determine the priority. Prioritizations of CRs that do not impact audit or compliance are prioritized by their impact on: return on investment, Journal Vouchers (JV), BPS, and business intelligence.

ASN (FM&C)

Title: Military Bank: Leases and Operating Agreements

Internal Control Reporting Category: Personnel and Organizational Management

Description of Issue: There was a change to 10 USC 2667 requiring new leases that exceed one year and \$100K to be recompeted. It is possible a new bank could be awarded the lease without being able to obtain an operating agreement because the current bank has a valid operating agreement in force.

Description of Accomplishment: FMO-3 drafted and staffed revised legislation that would allow existing banks not to have to recompetite as long as they have a current operating agreement.

ASN (FM&C)

Title: Quarterly Military Banking and Credit Union Liaison Officer (LO) Workshop Forum Calls

Internal Control Reporting Category: Personnel and Organizational Management

Description of Issue: Reduced budgets have resulted in a dramatic reduction in workshop forums attendance; therefore, resulting in LOs not having adequate means of receiving training, networking, best practices, and updates to changes in the program's related laws, regulations, policies, procedures, and standards.

Description of Accomplishment: FMO-3 established quarterly workshop forum calls with DON Command LOs to provide a means to communicate changes to laws, regulations, policies, procedures, and standards, to obtain input on LO challenges and concerns, and to share best practices.

ASN (FM&C)

Title: Assertion of Operating Materials and Supplies – Small Boats and Uninstalled Aircraft Engines (UAE)

Internal Control Reporting Category: Plan-to-Stock, Operating Material and Supplies (OM&S)

Description of Issue: There was a lack of standardized documented procedures, implementation of internal controls, and execution of substantive testing to support the audit readiness assertion of the Existence & Completeness (E&C) of Navy Small Boats and UAE.

Description of Accomplishment: Through the preparation of FIAR work products including the performance of internal control and substantive testing, DON was able to identify gaps to develop and implement corrective actions supporting the audit readiness assertions for the E&C of Navy Small Boats and UAE. For Navy Small Boats, FMO collaborated with NAVSEA to implement five CAPs, resulting in seven out of eight passing control tests. The eighth control point was validated based on passing substantive test results. All financial reporting objectives were addressed by a combination of internal control and substantive test results as of 30 June 2013. For UAE, FMO teamed with NAVAIR to implement three CAPs and perform substantive testing across the most material locations to validate the E&C of UAE as of 30 September 2013.

ASN (FM&C)

Title: Assertion of MILSTRIP

Internal Control Reporting Category: Procure-to-Pay, MILSTRIP

Description of Issue: The MILSTRIP AU presents certain complex challenges. The AU has four distinct business processes that involve various systems and BSOs. There are over 1,200 Fleet units that create financial events (including MILSTRIP requisitions) using decentralized financial management systems that are specific to each unit; therefore, KSDs can be widely dispersed. In addition, DFAS and DLA have significant roles in the MILSTRIP AU that requires extensive coordination to ensure the AU's related business transactions are captured for documentation and support.

Description of Accomplishment: DON asserted that the MILSTRIP AU was audit ready in December 2014. Through the feeder system reconciliation between the General Ledger (GL) and supply data sources, DON was able to provide assurance that the transaction population for MILSTRIP was materially complete. DON achieved pass rates of 88% for tests of controls and substantive testing for the AU. DON completed process documentation for MILSTRIP and mapped the process to relevant United States Standard GL accounts. In addition, DON increased awareness of MILSTRIP audit requirements to the deck-plate

levels. To further address risks, DON is performing additional procedures around Shipyard financial transactions and is further refining the feeder system reconciliation procedures.

ASN (FM&C)

Title: DD 577/Delegation of Authority Policy Issuance

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: During the Contract/Vendor Pay AU discovery testing, DON identified a need to clarify requirements for delegating funds control authority and appointing accountable officials by DON identified functions. Based on leadership's analysis of the potential audit readiness impact there was a decision made to update existing guidance to support ICOFR auditability.

Description of Accomplishment: As a result, DON is developing an enterprise-wide instruction that will clarify the requirements for delegation and appointment documentation by function. The instruction will emphasize the proper usage of DD Form 577 (Appointment/Termination Record – Authorized Signature) and Delegation of Authority Letter with an enhancement to document retention to support DON auditability.

ASN (FM&C)

Title: DON/DFAS Audit Support Request Procedures

Internal Control Reporting Category: Communication

Description of Issue: There is a lack of designated DON/DFAS points of contact and a single point of entry to support ongoing audit readiness efforts; therefore, BSOs have expressed concerns about the responsiveness and timeliness of DFAS providing supporting documentation to support pre-assertion and pre-examination audit request.

Description of Accomplishment: DON established business rules, roles, and responsibilities to have a single DFAS point of entry to support the DON's pre-assertion and pre-examination testing environment. The agreed upon procedures defines FMO-4 as the sole source for requesting DFAS supported KSDs. BSOs will submit their respective request to a centralized FMO-4 mailbox, which will be reviewed by the applicable AU PM for consideration to be forwarded to DFAS's audit readiness centralized mailbox. Upon receipt of the request DFAS has agreed to take action within a 48 hour time period to ensure DON is able to support a pre-audit testing environment.

ASN (FM&C)

Title: DON MIC MAU Site Visits

Internal Control Reporting Category: Communication

Description of 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.

Description of Accomplishment: The DASN (FO) performed site visits with the DON's organizations to refresh their assessment of functions related to ICOFR, ICOFS, and ICONO. Furthermore, in anticipation of OUSD (C) and NAVINSGEN future compliance assessments, DASN (FO) took a proactive approach to ensure 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 informative opportunity for DON organizations to provide insight to the operational effectiveness and efficiency of their programs. In addition, the site visit assisted DON organizations at each echelon level with the ability to identify areas that need further collaboration and improvement.

DON MICP conducted site visits during the FY 2014 SOA reporting period with ONR, Chief of Information, Office of Legislative Affairs, and NCIS to obtain an understanding of the current state of their respective program's compliance assessment procedures. During the site visit, referenced organizations were provided with a MICP high level overview, program plan objectives, key deliverables, and ongoing issues and concerns that arose from Command feedback.

ASN (FM&C)

Title: DON MIC Evaluation Checklist

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: MAU's MIC coordinators requested additional tools to guide their internal control self-assessments. MIC stakeholders were searching for core business areas to perform self-assessments to assist in the process of evaluating internal controls and mitigating control risks.

Description of Accomplishment: The DASN (FO) prepared a DON MIC Evaluation Checklist to facilitate the implementation of control self-assessments that is recommended to be utilized as a practical toolset. The intent of the evaluation checklist is 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 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. It is encouraged for MAUs to provide the checklist to their immediate subordinate Commands for further dissemination and implementation.

During the current reporting period, DASN (FO) reviewed the DON MIC Evaluation Checklist to ensure a comprehensive checklist is in place that can be utilized as a supplemental internal controls assessment. Upon further review, the checklist was classified by internal control reporting categories defined by DoDI 5010.40 with the addition of the detailed reporting categories.

In addition, due to security breaches at military installations, ASN (FM&C) requested a thorough review of the security section of the checklist to ensure it was current per the recently updated directives. The security section's update was coordinated with applicable DON stakeholders to include: NAVINSGEN, Deputy Under Secretary of the Navy Policy, and Assistant Secretary of the Navy (Energy, Installations, and Environment).

ASN (FM&C)

Title: MAUs' MIC Coordinator and Alternate Appointment

Internal Control Reporting Category: Comptroller and Resource Management

Description of 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.

Description of Accomplishment: The DASN (FO) performed an annual follow-up with MAUs for the update of MIC coordinators and alternates to ensure compliance with SECNAVINST 5200.35 (requirement for the appointment of MIC coordinator/alternate in writing). It is recommended for MAUs to retain and have readily accessible appointment letters for MIC coordinators and alternates with an annual follow up of their immediate AUs and lower echelons for their new MIC personnel.

ASN (FM&C)

Title: SECNAVINST 5200.35E Revision

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: SECNAVINST 5215.1D required that all instructions should be periodically reviewed with a view toward canceling, updating, revising, or consolidating as appropriate. The current SECNAVINST 5200.35E dated 2006 required an update to support FIAR initiatives to ensure best practices and procedures are implemented enterprise-wide across DON.

Description of Accomplishment: The DASN (FO) continued to update SECNAVINST 5200.35E to issue new guidance by referencing DoDI 5010.40 May 2013.

The FIAR Methodology required the assessment of ICOFR and ICOFS that was included in the DON's annual SOA; therefore, SECNAVINST 5200.35F was drafted to ensure the MICP adheres to the reporting requirements of the SOA and FIAR Guidance.

In addition to the prescribed format changes, concise definitions were provided, stakeholder responsibilities were updated, and policy/procedures were structured to assist MIC personnel with utilizing tools and methods that foster self-reporting and mitigating strategies to correct identified deficiencies.

Coordination with MAUs and BSOs was conducted for a detailed review of the draft SECNAVINST 5200.35 to ensure it addressed the DON's current financial reporting, information systems, operational, and acquisition internal control environments. For review, consideration, and potential inclusion, suggestions, comments, and edits were provided to DASN (FO). Upon completion of the review, DASN (FO) addressed each reviewer's input and provided it to the ASN (FM&C) for further review prior to the SECNAV approval and endorsement.

ASN (FM&C)

Title: DON MIC Manual Revision

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: The DON MIC Manual released in 2008 provides insufficient information to support current procedures, responsibilities, and techniques for administering the MICP. Without the proper instructions to guide the administration of the program, DON organizations were not able to accurately assess, mitigate, and report findings with regards to non-financial operations, financial reporting, and financial systems.

Description of Accomplishment: The DASN (FO) continued to revise the MIC Manual to align with updated guidance in DoDI 5010.40 and the SECNAVINST 5200.35F. The MIC Manual specifies procedures for implementing an effective internal control program and will serve as management's basis for the Department's SOA.

In addition, the MIC Manual incorporated the regulatory requirements to enhance the program. The forthcoming MIC Manual satisfies the SECNAVINST 5215.1D requirement to have up-to-date instructions on how to administer the DON MICP.

Coordination with MAUs and BSOs was facilitated for a detailed review of the draft DON MIC Manual to ensure it captured relevant information to support the revised SECNAVINST 5200.35F. For review, consideration, and potential inclusion, suggestions, comments, and edits were provided to DASN (FO). Upon completion of the review, DASN (FO) addressed each reviewer's input and provided it to the ASN (FM&C) for further review prior to SECNAV's approval and endorsement.

ASN (FM&C)

Title: Update to the SOA tool

Internal Control Reporting Category: Information Technology

Description of Issue: The DON's online SOA tool was not operational for several months due to the hosting server being comprised, which could have adversely impacted DON organization's certification statements timeliness and accuracy.

Description of Accomplishment: The DON's online SOA tool was utilized as a centralized repository for organizations at all echelon levels to report internal control deficiencies, track audit findings, capture accomplishments, monitor their planned milestones, and compile certification statements. The SOA tool was also used to assist the DON MIC in compiling the 19 MAU submissions for the annual SOA that is submitted to OUSD (C) and is reported to the President and Congress that Defense components are addressing identified deficiencies.

The DASN (FO) worked with DON/AA's ITD to update the SOA tool for the following:

- User account is authenticated using CAC.
- User needs to login every 35 days to retain an active account.
- User has access to the tool with multiple organizations.

FMO-4 also coordinated with DON/AA ITD to resolve a number of tool issues: (1) record migration from prior periods, (2) new deficiencies module, and (3) end user access controls. FMO-4 will continue to work closely with their team to address end-user system errors and potential system enhancements.

ASN (FM&C)

Title: BSO Communication and Coordination

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: There was an opportunity for FMO-5 to improve the lines of communication and coordination between DON and its individual Commands regarding audit performance and sustainment activities. The geographic and mission diversity of the individual DON Commands requires an appreciation of Command-level operating environments, constraints, and inhibitors impacting audit. FMO-5 identified the need for resources to be dedicated to the audit coordination with Command HQs to support rapid two-way communications and audit resources as needed. An established communication and collaboration strategy was required to ensure that roles and responsibilities of FMO-5 HQs, Regions, and DON BSO are clearly understood and that the Regions are effective in the liaison role, providing valuable support to FMO leadership and the BSOs.

Description of Accomplishment: FMO-5 transformed from a single-tiered activity to a multi-tiered response activity that allowed for concurrent focus on external auditors and Commands from within FMO-5. New Regions were established to develop enduring relationships with the Commands through onsite visits, reoccurring workshop forum calls, newsletter updates, action deliverable trackers, Provided by Client (PBC) SOPs, supplemental training documentation, metrics and lessons learned, and numerous other interactions.

Each BSO has a direct relationship with a Region representative, which allows for timely communication. To support this communication, FMO-5 developed a BSO collaboration SharePoint environment for BSOs and the Regions to interact and share information. Regions supported the Commands for exams related to FBWT, Reimbursable Work Orders-Performer/Grantor (RWO-P/G), and MILPAY. For example, in support of the MILPAY exam, the regional structure supported BUPERS and Naval Reserve Force as they responded to 405 samples encompassing 2604 entitlements and 125 PBCs. This process was planned and refined through an iterative development of SOPs ranging from PBC management to CAPs coordination.

Effective Region and BSO communication and collaboration assisted in expediting turnaround time on audit tasks and reducing rework and follow-up activities. Facilitated BSO regional roadshows demonstrate support for the development of sustainment activities and the evaluation program, which will contribute to institutionalizing an auditable culture.

ASN (FM&C)

Title: Data Validations and Audit Transaction Universe

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: DON did not possess structured, repeatable processes or associated infrastructure to perform data validations and analysis of financial data for use by management during financial examinations and audits. The lack of financial management data infrastructure and processes placed DON at risk for audit response delays and failures.

Description of Accomplishment: FMO-5 Report and Control (R&C) coordinated with the USMC Technology Services Organization (TSO) to stand up the FMO-5 Data Storage Environment. The storage environment provides a secure, scalable data repository to house DON financial management data prior to the implementation of long-term solutions. The storage environment is mainframe based and utilizes TSO-provided tools to enable the validation, enrichment, and analysis of data.

Through the FMO-5 Data Storage Environment, R&C has established programs and procedures to validate the DON financial management transaction universe with the trial balance information fed into the DON Financial Statement Compilation and Reporting (FSCR) process.

In addition, R&C performed analysis to identify transactions that will be of specific interest during a financial audit, such as contract financing payments, progress payments, and reimbursable activity.

ASN (FM&C)

Title: Audit Response and Evaluation Structure and Processes

Internal Control Reporting Category: Comptroller and Resource Management

Description of Issue: There was a need to develop the structure and processes necessary to achieve an audit response tool to effectively implement FMO-5's organizational mission. FMO-5 identified a need to establish a DON-wide audit response and evaluation quality control program that reviews the infrastructure, validates the accuracy, completeness, integration, and compliance of business processes used to generate audit ready DON financial statements and to promote and sustain financial management improvements.

Description of Accomplishment: FMO-5 developed the ARC Tool capability as a secure, central point of coordination for audit response activities including housing KSD, tracking NFRs, and CAP implementation. The ARC Tool has a dedicated response team that closed out 1156 helpdesk tickets and conducted 48 trainings across the DON BSOs, shared service providers, and FMO. The team has delivered seven sites to support FBWT, RWO-P/G, and

MILPAY examinations and launched business intelligence dashboards to display real time data and current statistics for these examinations.

The FMO-5 Audit Response Team acts as the DON-wide liaison to internal and external auditor requests. Prior to the ARC Tool's deployment, the FMO-5 Audit Response Team performed internal tests to ensure the system was operating according to design plans and controls were properly implemented. The team has assisted in the continuing development of the ARC Tool through providing operational and control inputs during the requirements gathering phase. The Audit Response Team utilizes ARC Tool collaboration sites to post control environment documentation, provide lessons learned, and perform quality assurance through supplemental reviews of audit artifacts before transmission to the IPA.

The Evaluation Program was developed to perform activities to validate the accuracy, completeness, integration, and compliance of DON business processes that generate financial information in order to foster a culture of self-assessment across DON. The Evaluation Program facilitates BSO ownership of audit sustainment by performing independent reviews that simulate the stress and requirements of an audit, validates that field activities under evaluation are able to appropriately respond to the requests and support the balances to be reflected on the financial statements, and provides the field activities with any recommendations identified as a result of the evaluation. The Evaluation Program continues to develop this capability through a Civilian Payroll engagement with the Field Support Agency and is positioning itself to assist other Commands with this capability.

TAB B-1

Operational Material Weaknesses

Uncorrected Material Weaknesses Identified During the Period:

Internal Control Reporting Category	Description of Material Weakness	Targeted Correction Year	Page #
N/A	N/A	N/A	N/A

Uncorrected Material Weaknesses Identified During Prior Periods:

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Year	Page #
Contract Administration	<u>Contract Management - Service Contracts</u> (Previous Years and Current Year): There were three specific areas within the contract administration process which are management oversight, documentation, and quality control.	FY 2012	FY 2015	B-2-1
Communications; Intelligence; and/or Security	<u>PII</u> (Previous Years): DON breach report metrics and findings demonstrated a need to improve or develop PII safeguarding policies in Social Security Number (SSN) reduction. (Current Year): DON identified internal control weaknesses pertaining to PII (i.e. no performance of spot checks on PII).	FY 2010	FY 2015	B-2-3
Communications; Intelligence; and/or Security	<u>COMSEC</u> (Previous Years): There were opportunities to improve DON procedures and policies for requesting, approving, and documenting the release of COMSEC equipment to contractors COMSEC equipment accounts in support of DON contracts. In addition, there are opportunities to improve COR administrative procedures for reconciling and documenting COMSEC accounts.	FY 2006	FY 2014	B-2-4
Acquisition	<u>Attenuating Hazardous Noise in Acquisition & Weapon System Design</u>	FY 2010	FY 2015	B-2-4

	(Previous Years): Insufficient processes are in place to effectively mitigate hazardous noise risks posed during the operation and acquisition of major weapon systems.			
Procurement and Contract Administration	<u>EVM</u> (Previous Years): Inadequate oversight and application of EVM resulted to the failure of effective implementation and gaining the fully benefits of the process.	FY 2010	FY 2014	B-2-6

Material Weaknesses Corrected During the Period:

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Page #
N/A	N/A	N/A	N/A

TAB B-2

Operational CAPs and Milestones

Detail of Uncorrected and/or Corrected Material Weaknesses and CAPs

1. Contract Management - Service Contracts

Internal Control Reporting Category: Contract Administration

Targeted Correction Date: 4th Qtr. FY 2015

Description of Material Weakness: The three deficient areas for the contract administration process that need to be corrected include the following: management oversight, documentation, and quality control.

Management Oversight

There was a lack of adequate contract management in multiple areas across DON. COs did not properly appoint CORs, which resulted in inconsistent invoice review, contractor surveillance/monitoring, verification of services, and review of monthly status reports provided by the contractor. CORs relied on non-appointed personnel to perform duties. In addition, opportunities exist to improve internal controls over other areas. There was a lack of justification for not assigning a COR to a contracting action. COs did not develop Contract Administration Plans for contract actions as required by NAVSUP Instruction 4205.3D.

Navy Commands did not follow prescribed sampling methodologies when conducting surveillance to verify if a contractor was performing in accordance with contract requirements. There were reports of a lack of sufficient internal controls in place to ensure the BOS contracts were effectively administered in accordance with policies and procedures.

NAVAUDSVC found opportunities for improvement of the utilization and administration of its interagency contracts. Command leadership was not actively involved in the decisions to use interagency contracts, nor was there policy detailing personnel that had authority to make assisted acquisitions. Interagency contract task orders were inappropriately procured and administered under the direction of a Comptroller vice an Acquisition/Contracting Division.

In addition, within the DON the following deficiencies were identified for noncompetitive contracts: (1) no performance limitation to a duration of a year, (2) incomplete justification and determination for exceptional circumstance to extend contract period of performance beyond a year, and (3) inadequate contract transparency and oversight.

Documentation

COs did not provide accurate information and supporting documents. There was insufficient supporting contract file documentation across several areas of the DON. For example, Commands did not maintain sufficient documentation to support COR contract surveillance to ensure performance was in accordance with FAR and DON policy. CORs did not have sufficient

supporting documentation for contract actions and annual reviews required by NAVSUP Instruction 4205.3D. COs at NAVAIR did not have sufficient information to verify the reasonableness and accuracy of contractor invoices.

NSSA did not maintain sufficient documentation supporting the services obtained through its interagency task orders. The documentation provided was not sufficient to create a clear audit trail from the origination of the requirement, performance of the service, to the payment of the invoice. The absence of documentation limited our ability to fully audit NSSA’s processes or determine whether the services obtained through those contracts were in the best interest of the Government. Further, the absence of documentation places NSSA at a greater risk of misstatements and fraud.

Opportunities exist to improve contract closeout documentation. For example, contract completion statements were not provided for numerous contracts. Service contracts and MIPRs did not maintain sufficient documentation to support the use of interagency contracts. In addition, approved SOPs or CAPs on file did not have complete and/or sufficient contract files.

Quality Control

Officials did not always develop or use Quality Assurance Surveillance Plans (QASP) in their contracting actions. CORs did not perform surveillance duties listed in their designation letters to include - performing onsite inspections and documenting surveillance of contractor performance. In addition, NAVSUP CORs did not have a plan when inspecting the deliverables for quality due to the contracting officer not preparing a QASP for the CORs to use in the inspection process.

Detailed CAP: The DON has taken a variety of corrective actions to address previously identified deficiencies in contract administration. In addition, the DON is in the process of strengthening the administration of service contracts.

Targeted Correction Date	Detail Corrective Actions	Responsible Organization	Status
1 st Qtr. FY 2014	(Prior Periods): Establish management oversight and conduct the necessary management internal control activities over the DON’s Procurement Performance Management Assessment Program (PPMAP).	ASN (RD&A)	In Progress
4 th Qtr. FY 2014	(Prior Periods): Develop written guidance for overseeing and conducting PPMAP reviews within the DON.	ASN (RD&A)	In Progress
4 th Qtr. FY 2014	(Prior Periods): Release SECNAVINST to implement DoD guidance on the COR.	ASN (RD&A)	In Progress
4 th Qtr. FY 2015	(Prior Periods): Complete testing and deploy COR Tracking Tool.	ASN (RD&A)	In Progress

2. PII

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

Targeted Correction Date: 1st Qtr. FY 2015

Description of Material Weakness: NAVAUDSVC identified internal control weaknesses pertaining to PII at CNIC. Commander, Navy Region Southwest (CNRSW) did not collect the spot check forms or ensure that semi-annual PII spot checks were performed, as required by CNIC Instruction 5211.1. NAVAUDSVC found PII which consisted of employee rosters containing names, positions, locations, building numbers, office numbers, and e-mail addresses for the employees in the recycle bins. In addition, some employees did not fully satisfy the annual training requirement for PII.

When reviewing the MIC Program at CNRSW and Commander, Navy Region Southeast, NAVAUDSVC found PII MIC AU managers were conducting risk assessments with the exclusion of an internal control assessment.

Detailed CAP: The Privacy Act Coordinator will provide oversight to ensure full implementation of the Privacy Act program and compliance with DON PII training requirements.

Targeted Correction Date	Detail Corrective Actions	Responsible Organization	Status
3 rd Qtr. FY 2014	(Prior Periods): Release DON CIO GENEADMIN Policy	DON CIO	Complete
1 st Qtr. FY 2015	(Prior Periods): 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 use, which will be released by 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.	DON CIO	In Progress

3. COMSEC

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

Targeted Correction Date: 3rd Qtr. FY 2014

Description of Material Weakness: The previous audit report, N2012-0007, included one comprehensive recommendation advising the DON CIO to develop and implement a SECNAV-level instruction that prescribes policy for managing and tracking DON Communications Security equipment requested for release to contractor Communications Security accounts supporting DON contracts. The instruction was to include: (1) requirements to the Services (Navy and Marine Corps) to develop and implement a uniform equipment request and loan system that can be shared by appropriate DON organizations, (2) standard operating procedures for authorization of Communications Security equipment requested for release to contractor Communications Security accounts, and (3) hands-on training to respective stakeholders on managing and tracking information. This recommendation remains open and is still in the process of being fulfilled by DON CIO.

Detailed CAP: 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
3 rd Qtr. FY 2014	(Prior Periods): Develop and implement a SECNAVINST that prescribes policy for managing and tracking DON COMSEC equipment accounts supporting DON contracts.	DON CIO	In Progress
3 rd Qtr. FY 2014	(Prior Periods): Develop and implement a 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

4. Attenuating Hazardous Noise in Acquisition & Weapon System 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. In addition, 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 CAP: The DON Hazardous Noise Exposure Mitigation Working Group (the 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 RD&A 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.

Targeted Correction Date	Detail Corrective Actions	Responsible Organization	Status
1 st Qtr. FY 2014	(Prior Periods): Review current practices at Navy and USMC entry points.	BUMED	In Progress
1 st Qtr. FY 2014	(Prior Periods): Beta test commercial off-the-shelf system.	BUMED	In Progress
2 nd Qtr. FY 2014	(Prior Periods): Develop Hearing Protection Device (HPD) Fit testing.	BUMED	In Progress
2 nd Qtr. FY 2014	(Prior Periods): Evaluate metric and refine process from Beta testing.	BUMED	In Progress
2 nd Qtr. FY 2014	(Prior Periods): Draft policy statement on HPD Fit testing.	BUMED	In Progress
3 rd Qtr. FY 2014	(Prior Periods): Standardize required hearing readiness training.	BUMED	In Progress
3 rd Qtr. FY 2014	(Prior Periods): Submit to the flag level steering board for review and approval.	BUMED	In Progress
3 rd Qtr. FY 2014	(Prior Periods): Initiate HPD test and evaluation program.	BUMED	In Progress
3 rd Qtr. FY 2014	(Prior Periods): Implement HPD Fit testing.	BUMED	In Progress
3 rd Qtr. FY 2014	(Prior Periods): Submit to flag level steering board for review and approval.	BUMED	In Progress
4 th Qtr. FY 2015	(Prior Periods): Develop a data sharing tool for Defense Occupational and environmental Health Readiness System and MRRS.	CMC	In Progress

5. EVM

Internal Control Reporting Category: Acquisition

Targeted Correction Date: 4th 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.

The Defense Contract Management Agency (DCMA) has conducted compliance reviews at all six major shipbuilding contractor locations and identified significant deficiencies with implementation of EVM. DCMA has determined that none of the shipbuilders have demonstrated they have an EVMS that is compliant with the EVMS Guidelines, as required by the Federal Acquisition Regulations and DoD policy on EVMS and Business Systems. In addition, DCMA has concerns that DON has not implemented a consistent and transparent process for system determination and has not acted on DCMA's recommendations regarding system determinations. As such, DON does not have reasonable assurance in the accuracy and reliability of the data received from these contractors' systems to make programmatic decisions.

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 \$20M. EVM is usually applied during the development and early production phases. Both the contractor and government have EVM responsibilities.

Detailed CAP: 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 Supervisor of Shipbuilding (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 th Qtr. FY 2014	(Prior Periods): Implement recommended changes for centralization of EVM process ownership and consistent EVM support for NAVSEA shipbuilding programs, SUPSHIP, Conversion, and Repair (staffing levels, EVM oversight processes, and shipbuilding program office capability and support).	ASN (RD&A)	In Progress
4 th Qtr. FY 2014	(Prior Periods): Attain NAVSEA shipbuilding EVM policy compliance with target.	ASN (RD&A)	In Progress

TAB C

Financial Reporting/Financial System Material Weaknesses/Corrective Actions

Uncorrected Material Weaknesses Identified During the Period:

Internal Control Reporting Category	Description of Material Weakness	Targeted Correction Date	Corrective Action Summary
Procure-to-Pay: CVP	The control environment is not designed and/or operating effectively to ensure that obligation timeliness in the official ASR GL. Obligations are not recorded in the accounting system within 10 calendar days following the award of a contract. The probable audit risk is that the financial statement obligation balance may be understated.	4 th Qtr. FY 2014	Reiterated the DoD FMR Vol. 3 Chapter 8 requirement to the Commands, stating that “in no instance shall obligations be recorded any later than 10 calendar days following the day an obligation is incurred”. The Command-level CAP was released to ensure at least two government comptroller personnel maintain an active Electronic Document Access user account.
Procure-to-Pay: CVP	The control environment for purchase request, purchase orders, and certifying invoice payments is not designed and/or operating effectively. As a result, there was a need to clarify requirements for delegating funds control authority and appointing accountable officials by function across the program to establish new internal control requirements and emphasize existing guidance to improve auditability. The probable audit risk is that an individual’s authority may not able to be substantiated to approve purchase request, purchase orders, and certify invoices for payment.	4 th Qtr. FY 2014	Drafting SECNAVINST 7000.28, “Requirements for Delegation and Appointment Documentation by Function” at the entity-level to clarify the requirements for delegation and appointment documentation. The instruction will provide proper usage of DD Form 577 (Appointment/Termination Record – Authorized Signature) and Delegation of Authority Letter, and enhance documentation retention and auditability.
Plan-to-Stock: (OM&S GCSS-MC)	The deficiencies for Global Combat Support System-Marine Corps (GCSS-MC) span across multiple control categories defined in the GAO FISCAM, including application-level general controls, access control, interface, and configuration	3 rd Qtr. FY 2015	Management is in the process of developing a detailed CAP for the GCSS-MC that will identify milestones required to remediate open NFRs. In coordination with GCSS-MC, management continues to

Internal Control Reporting Category	Description of Material Weakness	Targeted Correction Date	Corrective Action Summary
	management controls.		implement and monitor actions identified in CAP to address the internal control deficiencies.

Uncorrected Material Weaknesses Identified During Prior Periods:

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
Acquire-to-Retire: General Equipment (GE)	Cannot establish and/or support ownership and valuation of GE due to lack of supporting documentation, improper interpretation of guidance, underutilization of the ASR, and system limitations. There is an inability to substantiate that the ASR represents a complete inventory of GE assets. The assets included in the ASR do not reflect all ancillary costs or assign an accurate useful life. The inability to reconcile property accountability systems with financial systems equates to inaccurate asset disclosure and presentation. Note: CAP for Military Equipment (ME) was reported separately in FY 2013 DON SOA. However, the OSD combines ME and GE into a single category entitled "General Equipment", effective October 1, 2013 therefore ME CAP is included in GE CAP	FY 2007	4 th Qtr. FY 2014 & 4 th Qtr. FY 2017	1 st Qtr. FY 2009	Initiated discovery actions to include a BPS initiative to map and streamline business processes and a data call. Navy Small Boats were asserted as a prototype of the larger GE assertion. For the remainder of GE, inventory for E&C is currently being tested. Corrective actions will include determining causes of failure, development of CAPs, training of responsible Commands, implementation of internal controls, and retesting of performance. Additional

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
	without separate reporting.				testing and corrective actions for Valuation, including the Proper Financial Accounting Treatment for Assets within Navy ERP, will occur during the FY 2015-2017 timeframe.
Plan-to-Stock: OM&S	Cannot demonstrate the ability to consistently perform and document annual physical inventories of OM&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&S dollar values. Legacy systems lack the ability to capture financial information. Therefore, historical cost data is not maintained to comply with Generally Accepted Accounting Principles.	FY 2005	2 nd Qtr. FY 2015 & 4 th Qtr. FY 2017	4 th Qtr. FY 2011	The Ordnance has been asserted, Shore based Ordnance has been determined auditable by the DoDIG, and Afloat Ordnance is undergoing examination. The UAEs has been asserted and is under sustainment testing. For the non-Ordnance/UAE OM&S, discovery actions have been initiated to include a BPS initiative and a data call. There are plans for a partial round 1 test of OM&S and will prepare corrective

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
					actions based on results.
Acquire-to-Retire: RP	There are insufficient standardized internal control and supporting documentation requirements. This impacts the timeliness and accuracy of Construction in Progress (CIP) and RP transactions RP acquisition, inventory, disposal processes, and systems deficiencies resulting in miscommunication and insufficient support for asset ownership and valuation.	FY 2006	1 st Qtr. FY 2015 & 4 th Qtr. FY 2017	2 nd Qtr. FY 2009	NAVFAC automated the DD 1354 process and developed a Project Completion Report in Facilities Information System (FIS). In addition, they implemented the following corrective actions: (1) developed a CIP finalized indicator in FIS, (2) developed logic in Internet Naval Facilities Assets Data Store (iNFADS), and (3) developed an automated email function in iNFADS.
Plan-to-Stock: Inventory	There is an inability to maintain accurate Moving Average Cost (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 line item on Financial Statements. The legacy accounting system does not	FY 2005	4 th Qtr. FY 2017	4 th Qtr. FY 2011	Submitted a formal waiver to the current DoD FMR policy that prohibits the use of estimates for inventory valuation. The current DoD FMR is in the process of being updated to allow for the alignment

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
	retain 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 Working Capital Fund Supply Management.				of operating costs associated with a contract to the inventory values.
Acquire-to-Retire: GE	The control environment for GE is not designed and/or operating effectively. 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. GE valuation is potentially unsupported given weaknesses in maintaining supporting documentation for GE valuations, acquisition or disposal dates, useful life, waivers, and program completeness.	FY 2008	2 nd Qtr. FY 2015	2 nd Qtr. FY 2013	Developed a new strategy, SOPs, and implemented policy to support asset acquisition costs, place in service dates, disposals, and transfers. Ensure that applicable KSDs are available for review and Unique Item Identification received are clearly identified and issuing documents are signed and dated.
Acquire-to-Retire: RP	The control environment for RP is not designed and/or operating effectively. Evidence to support the five financial statement audit assertions was insufficient or not readily available. RP and Garrison property valuation remains unsupported given a continued lack of audit trail documentation.	FY 2008	4 th Qtr. FY 2016	2 nd Qtr. FY 2010	Performed the following: (1) defined and formalized valuation methodologies and documented retention policy, (2) developed a DD Form 1354 module in iNFADS, (3) conducted

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
					meetings with Marine Corps RP Accountability Officers to resolve business process issues related to RP accountability, (4) procured contract support to document internal controls for RP financial reporting and conducted on-site validation of new guidance, (5) published guidance letter on RP classification, (6) published new Marine Corps Order 11000.26 and associated procedural handbook on Real Estate and RP Management and Accountability, and (7) reviewed all iNFADS land records, DPAS capital assets, and accountable property.
Budget-to-Report: FSCR	The control environment is not designed and/or operating effectively to ensure that all business entries follow standardized processes to support an	FY 2013	1 st Qtr. FY 2015	4 th Qtr. FY 2013	Developed “DON Policy for Business Entries Including Journal Vouchers” and a SBT CAP.

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
	audit trail. Inconsistent procedures for recording Business Entries (JVs/Standard Business Transactions (SBT)) and retaining the proper supporting documentation poses a significant risk to producing accurate and complete financial statements and reports.				Leverage the DON JV Adjusting Journal Entries (AJE) policy, AJE CAP in conjunction with other artifacts to include desktop guides and AJE forms. Perform the second round of testing of the field level AJE.
Procure-to-Pay: MILSTRIP	Transactions resident to Naval Shipyard requisition 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 facilities, which adversely impacts CAP implementation. KSD to support administrative receipt processing and monitoring of disbursements to detect invalid, fraudulent, or improper billings is not retained in accordance with policy. The potential risk exists for Naval Shipyards to overstate or understate financial statement obligations and disbursements.	FY 2013	4 th Qtr. FY 2014	4 th Qtr. FY 2013	Performed the segment feeder system reconciliation to validate MILSTRIP GL transactions against related supply data for Naval Shipyards and Regional Maintenance Centers. Site visits were conducted to gain a clear understand of reconciling items and documenting a baseline for Shipyard controls and KSDs, as well as root causes for control weaknesses relevant to MILSTRIP. The plan is to issue

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
					and implement corrective actions to remediate gaps and standardize KSDs across the sites.
Procure-to-Pay: MILSTRIP	DFAS has insufficient controls in place to validate the effectiveness of Visual Inter-fund System Transaction Accountability (VISTA) system functionality for assigning a Line of Accounting (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 hardcoded VISTA business logic. However, without confirmation from DFAS of a completed FISCAM, VISTA controls cannot be conclusively tested. The potential audit risk is an overstatement or understatement of financial statement disbursements.	FY 2013	4 th Qtr. FY 2014	4 th Qtr. FY 2013	DFAS will conduct FISCAM control testing to provide VISTA logic assurance for applying the correct LOAs.
Procure-to-Pay: MILSTRIP	The internal controls reconciliation process for Unliquidated Obligations (ULO) is not effectively designed to monitor if an open MILSTRIP commitment and obligation represent a bona fide need. The DoD FMR Tri-annual Review guidance for dormant obligations limits	FY 2013	2 nd Qtr. FY 2015	2 nd Qtr. FY 2014	Analyzing its Tri-annual review process across segments and documenting requirements for a MILSTRIP ULO reconciliation process designed to review all

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
	the scope's review for MILSTRIP ULOs, because transaction volume is valued below the established dollar thresholds. Cumulative ULO balances not reviewed due to dollar thresholds could potentially overstate financial statement commitments and obligations.				dormant transactions, regardless of dollar thresholds or overage criteria. Assess requirements and develop a strategy to integrate segment-specific MILSTRIP ULO requirements with the consolidated DON-wide Tri-annual review approach.
Procure-to-Pay: MILSTRIP	DLA and GSA have established off-line requisition systems to access and purchase cataloged or GSA schedule products. These systems do not include the necessary interfaces with the supply and financial automated systems; therefore, incomplete information has resulted in invalid accounting entries and Prompt Payment Act violations.	FY 2009	2 nd Qtr. FY 2015	2 nd Qtr. FY 2010	The proposed system changes/interface requests to DLA/EMALL representatives. They provided internal control structure to DLA that will reject transactions that create obligations. Implemented EMALL access controls and system changes.
Order-to-Cash: Reimbursable Work Order – Performer (RWO–P)	The control environment is not designed and/or operating effectively to verify if undelivered orders and Accounts Receivables (A/R) represent valid, authorized, and approved transactions. There is a	FY 2012	3 rd Qtr. FY 2015	FY 2012	Commands will implement a Tri-annual Review to monitor the status of dormant reimbursable agreement receivables and

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
	potential audit risk that the financial statements do not accurately account for undelivered orders and/or A/R.				unfilled orders. They will review for timeliness, accuracy, and completeness for closeout when applicable. The process must include a review of A/R to certify transactions conform to requirements. Reviews will be completed within 21 working days following the four-month periods ending on January 31, May 31, and September 30. Documentation is required to be maintained indefinitely in support of audit readiness.
Order-to-Cash: RWO-P	The control environment is not designed and/or operating effectively to verify unfilled reimbursable orders/authorizations are recorded completely and accurately. There is a potential audit risk that the financial statements are understated or overstated for unfilled reimbursable orders/authorizations.	FY 2012	4 th Qtr. FY 2016	FY 2012	The DoD enterprise-wide solution is the Invoice Processing Platform (IPP), which is scheduled for FY 2016 implementation. This is contingent upon development of system interfaces with Federal

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
					<p>ASR, which will allow to perform Trading Partner reconciliations. Upon the IPP launch, Commands will perform monthly reconciliations with Trading Partners (Grantors) to identify variances. Variances will be logged, validated, and signed by Performer personnel. The AO will review and approve corrections. Continue to perform reconciliations between material feeder systems and the GL as a short term solution to demonstrate completeness of unfilled reimbursable orders and authorizations.</p>
Order-to-Cash: RWO-P	The control environment is not designed and/or operating effectively to verify year-end accruals are accurately posted.	FY 2012	4 th Qtr. FY 2015	FY 2012	Develop centralized methodologies to estimate and post receivable accruals for

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
					Command implementation.
Order-to-Cash: RWO-P	The control environment is not designed and/or operating effectively to verify the amount billed is valid and accurately recorded based on goods/services provided.	FY 2012	4 th Qtr. FY 2016	FY 2012	The interim solution is to implement a monthly post-collection validation procedure. DoD's enterprise-wide IPP for 4 th Qtr. FY 2016 will assist the DON in implementing a long-term automated solution.
Procure-to-Pay: Reimbursable Work Order – Grantor (RWO-G)	The control environment is not designed and/or operating effectively to verify the authorization and approval of undelivered orders and A/Rs represent a valid transaction.	FY 2012	3 rd Qtr. FY 2015	FY 2012	Commands will implement a Tri-annual Review to monitor the status of dormant reimbursable agreement receivable transactions.
Procure-to-Pay: RWO-G	The control environment is not designed and/or operating effectively to validate that recorded obligations are complete and accurate.	FY 2012	4 th Qtr. FY 2016	FY 2012	Upon IPP launch Commands will perform monthly reconciliations with Trading Partners (Grantors) to identify variations. Variations will be logged, validated, and signed by Performer personnel. The

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
					AO will review and approve corrections.
Procure-to-Pay: RWO-G	The control environment is not designed and/or operating effectively to verify recorded disbursements are valid and accurate.	FY 2012	4 th Qtr. FY 2016	FY 2012	The implementation of IPP will assist in performing electronic receipt and acceptance procedures for goods and services. IPP will be the centralized repository for supporting documentation.
Procure-to-Pay: RWO-G	The control environment is not designed and/or operating effectively to validate year-end accruals are accurately posted.	FY 2012	4 th Qtr. FY 2015	FY 2012	Centrally develop methodologies to estimate and post payable accruals for implementation across Major Commands.
Procure-to-Pay: RWO-G	The control environment for RWO-G is not designed and/or operating effectively. This results in the inability to provide missing receipt and acceptance supporting documentation for intra-governmental transactions. Project Management Offices (PMO) often do not receive delivery confirmation documentation from Defense Contract Management Agency-	FY 2012	4 th Qtr. FY 2015	4 th Qtr. FY 2013	Implemented a process to record expenses based on each individual disbursement. Provide training and Deputy for Resource Management expense processing. They work with OUSD AT&L, and DLA to require external-

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
	Authorized COs, DoD-Distribution Management Office, Service-PMOs, Fleet Marine Force (FMF) delivery points, non-FMF delivery points, or interim delivery points.				to-USMC feeder systems to establish interfaces via the DLA Transactions Services. They establish a single repository for all receipt and acceptance documentation and finalize policy and SOPs to require standard documentation. Participate in the Treasury's Internet Payment Platform.
Procure-to-Pay: RWO-G	The control environment is not designed and/or operating effectively. This results in the inability to timely record obligations. There is no electronic posting interface with the Marine Corps Standard Accounting, Budgeting, and Reporting System (SABRS) when joint contracts are awarded by DON and external organizations. This requires manual posting of obligations. 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	FY 2012	4 th Qtr. FY 2015	4 th Qtr. FY 2013	Developed management guidance and produced monthly reports to monitor and address abnormal accounting conditions. Created and implemented a rigorous tri-annual review and confirmation process, and published management guidance for the timely retrieval of source documentation. Implemented the

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
	caught during the pre-validation phase of the DFAS payment process.				Treasury's IPP for MIPR and Work Requests and mandate use of PR Builder for all non-Global Command Support System purchases.
Procure-to-Pay: Transportation of Things (ToT)	No effective controls are in place to prevent unauthorized use of Transportation Account Codes (TAC) or unauthorized 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. This results in transportation services being charged to the incorrect organization's LOA. In addition, it results in an overstatement or understatement of the LOA that could potentially lead to an ADA violation.	FY 2013	4 th Qtr. FY 2017	4 th Qtr. FY 2014	Continue to collaborate with OUSD (C) FIAR working groups to develop DoD-wide solutions and mitigating strategies.
Procure-to-Pay: ToT	DoD does not have standardized processes and procedures for ToT KSD to support management evaluations, examinations, and audits. The majority of ToT KSDs is system generated by processes and procedures not owned by DON that cannot be	FY 2013	4 th Qtr. FY 2017	4 th Qtr. FY 2014	Continue to collaborate with OUSD (C) FIAR working groups to develop DoD-wide solutions and mitigating strategies.

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
	provided in a timely and accurate manner. This issue aligns to valuation, existence/completeness and presentation and disclosure assertions.				
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 FISCAM audit readiness and compliance testing efforts. These differences in system requirements result in lost or corrupted transference of data, increased risk of incorrect financial reporting, and extreme difficulty/inability to trace transactions from GL to source documentation.	FY 2013	4 th Qtr. FY 2017	4 th Qtr. FY 2014	Continue to collaborate with OUSD (C) FIAR led working groups to develop DoD-wide solutions and mitigating strategies.
Various Internal Control Reporting Categories (Financial System)	Assessment results for 14 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 14 systems include CFMS, DCPDS, DECKPLATE, FASTDATA, Navy ERP, NSIPS, OIS, PBIS, SLDCADA, MAJIC,	FY 2013	4 th Qtr. FY 2014	4 th Qtr. FY 2014	Working to identify the inventory of financially relevant IT systems and to remediate identified control deficiencies. Continue to perform assessments of IT systems that support financial reporting, solid governance and

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
	NROWS, RIMS-FM, RHS, and SWALIS.				guidance from the FISWG, training and communications, and collaboration with audit readiness partners.
Budget-to-Report: FSCR (Financial System)	The deficiencies for SABRS 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 nd Qtr. FY 2015	2 nd Qtr. FY 2012	Continue to implement and monitor actions identified in PoAMs to address internal control deficiencies. The outstanding findings require several types of action, including implementation of technical solutions such as SCR and updating policies and procedures.
Budget-to-Report: FSCR (Financial System)	The deficiencies for Defense Departmental Reporting 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 nd Qtr. FY 2015	2 nd Qtr. FY 2012	Continue to implement and monitor actions identified in PoAMs to address internal control deficiencies. The outstanding findings require several types of action including updating policies and procedures to accurately reflect processes, removing users

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
					with inappropriate access, and implementing a new process for periodic reviews of system changes.
Budget-to-Report: FBWT (Financial System)	The deficiencies for Defense Cash Accountability 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 nd Qtr. FY 2015	2 nd Qtr. FY 2012	Continue to implement and monitor actions identified in PoAMs to address internal control deficiencies. The outstanding finding requires several types of action including the implementation of technical solutions, such as a new database to capture configuration changes, and updating policies and procedures to accurately reflect processes.
Hire-to-Retire: MILPAY (Financial System)	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 nd Qtr. FY 2015	2 nd Qtr. FY 2012	Continue to implement and monitor actions identified in PoAMs to address internal control deficiencies. The outstanding findings require several types of

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Date	Original Target Date	Corrective Action Summary
					action including updating policies and procedures to accurately reflect processes as well as redesigning processes.

Material Weaknesses Corrected During the Period:

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Original Target Date	Corrective Action Summary
Procure-to-Pay: CVP	The control environment is not designed and/or operating effectively to recognize unpaid accepted goods as a liability; therefore, recorded balances for delivered orders and unliquidated obligations are potentially understated.	FY 2013	2 nd Qtr. FY 2014	Authorized government officials are required to validate receipt and acceptance to confirm that appropriate acknowledgement is performed and acceptable supporting documentation is retained for auditability. Recorded associated liability transactions in a timely and accurate manner. Performed 2 nd and 3 rd round testing for assertion package with passing rate of 90% and higher.
Order-to-Cash: RWO-P	The control environment is not designed and/or operating effectively to verify collections are processed timely, completely, and accurately.	FY 2012	4 th Qtr. FY 2013	DFAS will implement a process to research and resolve all unmatched collections identified in the Unmatched Collection Database. DFAS-Cleveland is currently implementing and testing the process. Upon DFAS-Cleveland testing and verifying the process, DFAS-Columbus will implement a similar process.

TAB D

DON Assessment of Internal Control over Acquisition Functions

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

Cornerstones	Control Environment (What are the standards or objectives that set the tone or provide the discipline and structure?)	Risk Assessment (What are the relevant risks to properly implementing the standards or objectives?)	Control Activities (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	Monitoring (What monitoring activities or separate evaluations are in place to assess performance over time?)
	to accomplish MDA approved program objectives.	estimates. Unforeseen technical problems. Price increases for specialty metals.		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).
Organizational Alignment and Leadership <ul style="list-style-type: none"> ▪ Aligning Acquisition with Agency Mission and Needs ▪ Commitment from Leadership 	Streamlined and Effective Management 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.	Risk Area A Accountability in program execution as directed by the MDA. Credibility in cost and schedule reporting due to contractors/vendors providing unrealistic cost and schedule estimates. Unforeseen technical problems. Price increases for specialty metals.	SECNAVINST 5430.7Q Section 7.b.(2)(s) 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 Annual CSBs provide monitoring and oversight or requirements stability and cost-trade benefits

Cornerstones	Control Environment (What are the standards or objectives that set the tone or provide the discipline and structure?)	Risk Assessment (What are the relevant risks to properly implementing the standards or objectives?)	Control Activities (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	Monitoring (What monitoring activities or separate evaluations are in place to assess performance over time?)
				to curtail requirements growth.
Organizational Alignment and Leadership <ul style="list-style-type: none"> ▪ Aligning Acquisition with Agency Mission and Needs ▪ Commitment from Leadership 	Streamlined and Effective Management 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.	Risk Area A Accountability in program execution as directed by the MDA. Credibility in cost and schedule reporting due to contractors/vendors providing unrealistic cost and schedule estimates. Unforeseen technical problems. Price increases for specialty metals.	SECNAVINST 5400.15C Section 4.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 DON. The NAE has full responsibility for all DON acquisition programs through PEOs, DRPMs, or SYSCOM Commanders.	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).

Cornerstones	Control Environment (What are the standards or objectives that set the tone or provide the discipline and structure?)	Risk Assessment (What are the relevant risks to properly implementing the standards or objectives?)	Control Activities (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	Monitoring (What monitoring activities or separate evaluations are in place to assess performance over time?)
Policies and Processes <ul style="list-style-type: none"> ▪ Planning Strategically ▪ Effectively Managing the Acquisition Process ▪ Promoting Successful Outcomes of Major Projects 	Collaboration 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 definition. MDAs and PMs are responsible for making decisions and leading execution of their programs and are accountable for results (Ref. Department of Defense Directive (DoDD) 5000.01, E1.2).	Risk Area C Delays in getting the program executed and possible cancellation.	SECNAVINST 5000.2E Section 1.11.3 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 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	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.

Cornerstones	Control Environment (What are the standards or objectives that set the tone or provide the discipline and structure?)	Risk Assessment (What are the relevant risks to properly implementing the standards or objectives?)	Control Activities (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	Monitoring (What monitoring activities or separate evaluations are in place to assess performance over time?)
			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 milestone Program Decision Meetings (PDMs) or Program Reviews (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	

Cornerstones	Control Environment (What are the standards or objectives that set the tone or provide the discipline and structure?)	Risk Assessment (What are the relevant risks to properly implementing the standards or objectives?)	Control Activities (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	Monitoring (What monitoring activities or separate evaluations are in place to assess performance over time?)
			DoDI 5000.02 and NDAA (section 332), and this instruction, including statutory and regulatory documentation, shall be satisfied and an Acquisition Decision Memorandum shall be issued by the MDA. Gate Reviews satisfy the Program Support Review risk assessment requirement of DoDI 5000.02.	
Policies and Processes <ul style="list-style-type: none"> ▪ Planning Strategically ▪ Effectively Managing the Acquisition Process ▪ Promoting Successful Outcomes of Major Projects 	Collaboration 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,	Risk Area C Delays in getting the program executed or possible cancellation.	SECNAVINST 5000.2E Section 1.11.4.4.2 Principal members are Vice Chief of Naval Operations (VCNO), Assistant Commandant Marine Corps (ACMC), ASN (RD&A), ASN (FM&C), Director Naval	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

Cornerstones	Control Environment (What are the standards or objectives that set the tone or provide the discipline and structure?)	Risk Assessment (What are the relevant risks to properly implementing the standards or objectives?)	Control Activities (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	Monitoring (What monitoring activities or separate evaluations are in place to assess performance over time?)
	<p>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 their programs and are accountable for results (Ref. DoDD 5000.01, E1.2).</p>		<p>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 Programs & Resources), Deputy Commandant CD&I, Warfare Enterprise Lead and/or Deputy, United States Fleet Forces (USFF)/MARFORCOM, and cognizant SYSCOM Commander. The Chair shall determine the final membership for each Gate review. However, the principal members may request</p>	<p>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, USFF/MARFORCOM, and cognizant SYSCOM Commander.</p>

Cornerstones	Control Environment (What are the standards or objectives that set the tone or provide the discipline and structure?)	Risk Assessment (What are the relevant risks to properly implementing the standards or objectives?)	Control Activities (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	Monitoring (What monitoring activities or separate evaluations are in place to assess performance over time?)
			attendance by other relevant commands. These members may include DON CIO, CNR, HQMC (Deputy Commandant for Aviation, Deputy Commandant for Manpower 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/SES-level plus one.	

Cornerstones	Control Environment (What are the standards or objectives that set the tone or provide the discipline and structure?)	Risk Assessment (What are the relevant risks to properly implementing the standards or objectives?)	Control Activities (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	Monitoring (What monitoring activities or separate evaluations are in place to assess performance over time?)
Human Capital <ul style="list-style-type: none"> ▪ Valuing and Investing in the Acquisition Workforce ▪ Strategic Human Capital Planning ▪ Acquiring, Developing, and Retaining Talent ▪ Creating Results-Oriented Organizational Cultures 	Professional Workforce 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).	Risk Area BQ Insufficiently trained/skilled workforce required to develop, plan, structure, execute, manage, and sustain Acquisition programs.	NDAA 2008, Section 852 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.

Cornerstones	Control Environment (What are the standards or objectives that set the tone or provide the discipline and structure?)	Risk Assessment (What are the relevant risks to properly implementing the standards or objectives?)	Control Activities (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	Monitoring (What monitoring activities or separate evaluations are in place to assess performance over time?)
Human Capital <ul style="list-style-type: none"> ▪ Valuing and Investing in the Acquisition Workforce ▪ Strategic Human Capital Planning ▪ Acquiring, Developing, and Retaining Talent ▪ Creating Results-Oriented Organizational Cultures 	Professional Workforce 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).	Risk Area BQ Insufficiently trained/skilled workforce required to develop, plan, structure, execute, manage, and sustain Acquisition programs.	Defense Acquisition Workforce Development Fund, dated 28 Jan 2008 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.	DAWIA Requirements are specified for each billet and monitored by Competency Leaders.

Cornerstones	Control Environment (What are the standards or objectives that set the tone or provide the discipline and structure?)	Risk Assessment (What are the relevant risks to properly implementing the standards or objectives?)	Control Activities (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	Monitoring (What monitoring activities or separate evaluations are in place to assess performance over time?)
Human Capital <ul style="list-style-type: none"> ▪ Valuing and Investing in the Acquisition Workforce ▪ Strategic Human Capital Planning ▪ Acquiring, Developing, and Retaining Talent ▪ Creating Results-Oriented Organizational Cultures 	Professional Workforce 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).	Risk Area BQ Insufficiently trained/skilled workforce required to develop, plan, structure, execute, manage, and sustain Acquisition programs.	Recruitment 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.
Information Management & Stewardship <ul style="list-style-type: none"> ▪ Identifying Data and Technology 	Information Assurance (IA) Acquisition managers shall address IA requirements for	Risk Area V Low - Potential for some areas to be overlooked due to the complexity and	SECNAVINST 5000.2E This instruction is to issue mandatory procedures for	SETRs: designated TA works with the program team during design maturation and evolving life cycle phases by guiding through the

Cornerstones	Control Environment (What are the standards or objectives that set the tone or provide the discipline and structure?)	Risk Assessment (What are the relevant risks to properly implementing the standards or objectives?)	Control Activities (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	Monitoring (What monitoring activities or separate evaluations are in place to assess performance over time?)
that Support Acquisition Management Decisions <ul style="list-style-type: none"> ▪ Safeguarding the Integrity of Operations and Data 	(1) all weapon systems, (2) Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance systems, and (3) 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).	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 (TA) and SMEs via the Naval Systems Engineering Technical Review (SETR) process (Chief Systems Engineer (CHSENG)).	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.	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 on-going (CHSENG).
Information Management & Stewardship <ul style="list-style-type: none"> ▪ Identifying Data and Technology that Support Acquisition Management Decisions ▪ Safeguarding 	IA Acquisition managers shall address IA requirements for (1) all weapon systems, (2) Command, Control, Communications, Computers,	Risk Area W Requirements may not be clearly articulated in the Request for Proposals. Resource Constraints/Competing Resources. Unavailability of expertise within	SECNAVINST 5000.2E Section 2.4.6.4 IA requirements shall be identified and included in the design, acquisition, installation, operation, upgrade, and	IA Strategy (at Mile Stone A) Program Initiation for Ships, Milestone B, Milestone C, Full Rate Production Decision Review (FRPDR) or equivalent and it's prepared by PM, approved by DON CIO (ACAT I/IA/II) Command Information

Cornerstones	Control Environment (What are the standards or objectives that set the tone or provide the discipline and structure?)	Risk Assessment (What are the relevant risks to properly implementing the standards or objectives?)	Control Activities (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	Monitoring (What monitoring activities or separate evaluations are in place to assess performance over time?)
the Integrity of Operations and Data	Intelligence, Surveillance, and Reconnaissance systems, and (3) 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).	the Program Office (NAVSEA).	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.	Operations (ACAT III/IV) (CHSENG).
Information Management & Stewardship <ul style="list-style-type: none"> ▪ Identifying Data and Technology that Support Acquisition Management Decisions ▪ Safeguarding the Integrity of Operations and Data 	IA 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	Risk Area X Improperly implementing standards and objectives could result in loss or release of relevant data/information.	SECNAVINST 5000.2E Section 3.4 IA PMs are responsible for ensuring that security requirements are addressed as part of the acquisition program. The PM shall develop, procure, and manage information systems, throughout the	Clinger-Cohen Act Compliance (all IT - including NSS programs) (at Milestone A Program Initiation for Ships, Milestone B, Milestone C, FRPDR or Equivalent) and it's prepared by PM, approved by DoD CIO (ACAT IA), DON CIO (ACAT I/IA/II), Command IO (ACAT III/IV). (CHSENG)

Cornerstones	Control Environment (What are the standards or objectives that set the tone or provide the discipline and structure?)	Risk Assessment (What are the relevant risks to properly implementing the standards or objectives?)	Control Activities (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	Monitoring (What monitoring activities or separate evaluations are in place to assess performance over time?)
	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).		life-cycle of the program using appropriate DoD approved IA controls and processes.	
Information Management & Stewardship <ul style="list-style-type: none"> ▪ Identifying Data and Technology that Support Acquisition Management Decisions ▪ Safeguarding the Integrity of Operations and Data 	IA 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	Risk Area X Improperly implementing standards and objectives could result in loss or release of relevant data/information.	CJCSI 6212.01F This instruction is to: <ol style="list-style-type: none"> a. Establish policies and procedures for developing, coordinating, reviewing, and approving IT and NSS Interoperability and Supportability (I&S) needs. b. Establish procedures to perform I&S Certification of JCIDS ACAT programs/systems c. Establish procedures to perform I&S Certification of 	Information Support Plan (at Program Initiation for Ships, Milestone B and C) prepared by PM, approved by PEO/SYSCOM/DRPM, or designee.

Cornerstones	Control Environment (What are the standards or objectives that set the tone or provide the discipline and structure?)	Risk Assessment (What are the relevant risks to properly implementing the standards or objectives?)	Control Activities (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	Monitoring (What monitoring activities or separate evaluations are in place to assess performance over time?)
	8500.01E (Ref. DoDD 5000.01, E1.9).		Information Support Plans (ISPs) and Tailored ISPs for all ACAT, non-ACAT and fielded 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	

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

Cornerstones	Control Environment (What are the standards or objectives that set the tone or provide the discipline and structure?)	Risk Assessment (What are the relevant risks to properly implementing the standards or objectives?)	Control Activities (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	Monitoring (What monitoring activities or separate evaluations are in place to assess performance over time?)
	systems. DoD policy for IA of IT, including NSS, appears in DoDD 8500.01E (Ref. DoDD 5000.01, E1.9).		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 DON3.	

Attachment 1: Points of Contact

The DON points of contact for the MIC Program and issues dealing with Material Weaknesses reported in the DON's FY 2014 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.
- Ms. Erica Gaddy, ASN (FM&C)/FMO. Ms. Gaddy may be reached at (202) 685-0791, or by email at erica.gaddy@navy.mil.
- Ms. Yolanda Bryan, ASN (FM&C)/FMO. Ms. Bryan may be reached at (202) 685-6714, or by email at yolanda.bryan@navy.mil.
- Mr. Gerald Robinson, ASN (FM&C)/FMO. Mr. Robinson may be reached at (202) 685-0785, or by email at gerald.l.robinson1@navy.mil.

Attachment 2: Acronym List

Acronym	Term
A&I	Assistance and Investigation
A/R	Accounts Receivable
ABC	Activity Based Costing
ACAT	Acquisition Category
ACMC	Assistant Commandant Marine Corps
ADA	Anti-Deficiency Act
AIS	Automated Information System
AJE	Adjusting Journal Entry
AO	Approving Official
AoC	Area of Consideration
APC	Agency Program Coordinator
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 & Comptroller)
ASN (RD&A)	Assistant Secretary of the Navy (Research, Development & Acquisition)
ASR	Accounting System of Record
AT&L	Acquisition, Technology, and Logistics
AU	Assessable Unit
AUDGEN	Auditor General
BOCS	Budget Object Classification System
BOS	Base Operating Support
BPS	Business Process Standardization
BSO	Budget Submitting Office
BUMED	Bureau of Medicine and Surgery
BUPERS	Bureau of Naval Personnel
C&A	Certification and Accreditation
CA	Critical Activity
CAA	Convening Authority's Action
CAC	Command Assessment Cell
CAP	Corrective Action Plan
CD&I	Combat Development and Integration
CFR	Code of Federal Regulations
CG	Commanding General
CH	Card Holder
CHSENG	Chief Systems Engineer
CI/CT	Counterintelligence/Counterterrorism

Acronym	Term
CIO	Chief Information Officer
CIP	Construction in Progress
CJCSI	Chairman of the Joint Chiefs Staff Instruction
CLEOC	Classified Consolidated Law Enforcement Operations Center
CMC	Commandant of the Marine Corps
CMS	Case Management System
CN	Counter Narcotic
CNIC	Commander, Navy Installations Command
CNO	Chief of Naval Operations
CNRSW	Commander, Navy Region Southwest
CO	Contracting Officer
COMNAVRESFOR	Commander, Navy Reserve Forces
COMOPTEVFOR	Commander, Operational Test and Evaluation Force
COMSEC	Communication Security
COMUSSOUTHCOM	Commander United States Southern Command
COR	Contracting Officer's Representative
CPT	Civilian Personnel Pricing Tool
CR	Change Request
CSB	Configuration Steering Board
CSD	Customer Service Desk
CSI	Cyber Security Inspection
CVP	Contract and Vendor Pay
DASN (AP)	Deputy Assistant Secretary of the Navy (Acquisition and Procurement)
DASN (FO)	Deputy Assistant Secretary of the Navy (Financial Operations)
DAWIA	Defense Acquisition Workforce Improvement Act
D-CATS	Defense Case Activity Tracking System
DCMA	Defense Contract Management Agency
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Services
DHA	Deployment Health Assessment
DISA	Defense Information Systems Agency
DITPR	Department of Defense Information Technology Portfolio Repository
DLA	Defense Logistics Agency
DoD	Department of Defense
DoDD	Department of Defense Directive
DoDI	Department of the Defense Instruction
DoDID	Department of the Defense Identification
DoDIG	Department of the Defense Inspector General

Acronym	Term
DoDM	Department of Defense Manual
DON	Department of the Navy
DON/AA	Department of the Navy, Assistant for Administration
DRPM	Direct Reporting Program Manager
DTS	Defense Travel System
E&C	Existence & Completeness
EC	Economic Crime
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 System
FBWT	Fund Balance with Treasury
FEDEX	Federal Express
FFMIA	Federal Financial Management Improvement Act
FIAR	Financial Improvement and Audit Readiness
FIS	Facilities Information System
FISCAM	Federal Information System Controls Audit Manual
FISWG	Financial Information System Working Group
FM	Field Manager
FMB	Office of Budget
FMB-3	Program Budget Coordination Division
FMB-33	Program Control Fiscal Operations Branch
FMB-4	Civilian Resources and Business Affairs Division
FMC	Office of Counsel
FMF	Fleet Marine Force
FMFIA	Federal Managers' Financial Integrity Act
FMO	Office of Financial Operations
FMR	Financial Management Regulation
FPC	Financial Process Council
FRPDR	Full Rate Production Decision Review
FSCR	Financial Statement Compilation and Reporting
FY	Fiscal Year
GAO	Government Accountability Office
GCPC	Government Commercial Purchase Card
GCSS-MC	Global Combat Support System-Marine Corps
GE	General Equipment

Acronym	Term
GL	General Ledger
GPRA	Government Performance and Results Act
GSA	General Services Administration
HPD	Hearing Protection Device
HQ	Headquarters
HQMC	Headquarters Marine Corps
HRD	Human Resource Division
I&S	Interoperability and Supportability
IA	Information Assurance
ICE	Independent Cost Estimate
ICMR	Internal Control Management Review
ICOFR	Internal Control Over Financial Reporting
ICOFS	Internal Control Over Financial Systems
ICONO	Internal Control over Non-Financial Operations
IG	Inspector General
IGMC	Inspector General of the Marine Corps
iNFADS	Internet Naval Facilities Assets Data Store
INTEL	Intelligence Activity
IPA	Independent Public Accountant
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act
IPP	Invoice Processing Platform
IPT	Integrated Product Teams
ISP	Information Support Plan
IT	Information Technology
ITD	Information Technology Division
JAG	Judge Advocate General
JCIDS	Joint Capabilities Integration and Development System
JEE	Joint Enterprise Email
JV	Journal Voucher
K-Net	Knowledge Network
KSD	Key Supporting Document
LFORM	Landing Force Operational Reserve Material
LO	Liaison Officer
LOA	Line of Accounting
LOE	Lines of Effort
M&RA	Manpower and Reserve Affairs
MAC	Moving Average Cost

Acronym	Term
MAIS	Major Automated Information System
MARFORCOM	Marine Corps Forces Command
MARFORPAC	Marine Corps Forces, Pacific
MAU	Major Assessable Unit
MCCLEP	Marine Corps Civilian Law Enforcement Program
MCD	Marine Corps Division
MCRFS	Marine Corps Response Forces, South
MCSC	Marine Corps Systems Command
MDA	Milestone Decision Authority
MDAP	Major Defense Acquisition Program
ME	Military Equipment
MEF	Marine Expeditionary Force
MEPS	Military Entrance Processing Station
MHA	Mental Health Assessment
MI	Manpower Information Systems Division
MIC	Managers' Internal Control
MICP	Managers' Internal Control Program
MILPAY	Military Pay
MILPCS	Military Permanent Change of Station
MILSTRIP	Military Standard Requisitioning and Issue Procedures
MIPR	Military Interdepartmental Purchase Request
MRRS	Medical Readiness Reporting System
MTF	Medical Treatment Facility
MWR	Morale, Welfare, and Recreation
NAE	Naval Acquisition Executive
NAVAIR	Naval Air Systems Command
NAVAUDSVC	Naval Audit Service
NAVFAC	Naval Facilities Engineering Command
NAVINGEN	Naval Inspector General
NAVSEA	Naval Sea Systems Command
NAVSUP	Naval Supply Systems Command
NBVC	Naval Base Ventura
NCAC	National Children's Advocacy Center
NCB	Naval Capabilities Board
NCCA	Naval Center for Cost Analysis
NCIS	Naval Criminal Investigative Service
NCR	National Capital Region
NDAA	National Defense Authorization Act

Acronym	Term
NETOPS	Naval Engineering Training and Operating Procedure and Standard
NFR	Notification of Findings and Recommendations
NHHC	Naval History and Heritage Command
NIST	National Institute of Standards and Technology
NMCARS	Navy Marine Corps Acquisition Regulation Supplement
NMCPHC	Navy and Marine Corps Public Health Center
NR-KPP	Net-Ready Key Performance Parameter
NSI	National Security Information
NSN	National Stock Number
NSS	National Security Systems
NSSA	Norfolk Ship Support Activity
OASN (FM&C)	Office of Assistant Secretary of the Navy (Financial Management & Comptroller)
OCONUS	Outside the Continental United States
OM&S	Operating Material and Supplies
OMB	Office of Management and Budget
ONR	Office of Naval Research
OPNAV	Office of the Chief of Naval Operations
OSD	Office of the Secretary of Defense
OT&E	Operational Test and Evaluation
OUSD (C)	Office of the Under Secretary of Defense (Comptroller)
PBC	Provided by Client
PBIS	Program Budget Information System
PBIS-IT	Program Budget Information System-Information Technology
PCM	Primary Care Manager
PDD	Program Direction Document
PDHRA	Post Deployment Health Re-Assessment
PDM	Program Decision Meeting
PEO	Program Executive Office
PII	Personally Identifiable Information
PIT	Platform Information Technology
PM	Program Manager
PMB	Performance Measurement Baseline
PMO	Project Management Office
PoAM	Plan of Action and Milestones
PP&O	Plans, Policies and Operations
PPMAP	Procurement Performance Management Assessment Program
PR	Program Review
Q&E	Questions and Exams

Acronym	Term
QASP	Quality Assurance Surveillance Plan
R&C	Report and Control
R3B	Resources & Requirements Review Board
RCC	Reserve Component Command
RDAIS	Assistant Secretary of the Navy (Research, Development & Acquisition) Information System
ROA	Risk and Opportunity Assessment
RP	Real Property
RWO	Reimbursable Work Order
RWO-G	Reimbursable Work Order – Grantor
RWO-P	Reimbursable Work Order – Performer
RWO-P/G	Reimbursable Work Orders-Performer/Grantor
SABRS	Standard Accounting, Budgeting, and Reporting System
SAE	Service Acquisition Executive
SAO	Senior Accountable Official
SAPRO	Sexual Assault Prevention and Response Office
SAVANT	System Architecture for Visual Analytic Net-centric Threat
SBT	Standard Business Transaction
SCR	System Change Request
SCRS	Standardized Case Review Sheet
SE	Southeast
SECNAV	Secretary of the Navy
SECNAVINST	Secretary of the Navy Instruction
SES	Senior Executive Service
SETAP	Security Education, Training, and Awareness Program
SETR	Systems Engineering Technical Review
SIPRNET	Secret Internet Protocol Router Network
SJA	Staff Judge Advocate to the Commandant
SLDCADA	Standard Labor Data Collection and Distribution Application
SME	Subject Matter Expert
SNaP-IT	Select and Native Programming Data Input System for Information Technology
SOA	Statement of Assurance
SOP	Standard Operating Procedure
SPAWAR	Space and Naval Warfare Systems Command
SSN	Social Security Number
SSP	Strategic Systems Programs Command
SUPSHIP	Supervisor of Shipbuilding
SVC	Special Victim Capability

Acronym	Term
SVUIC	Special Victim Unit Investigations Course
SYSCOM	Systems Command
TA	Technical Authority
TAC	Transportation Account Code
TAD	Training and Development
TECOM	Training and Education Command
TMLO	Trademark Licensing Program Office
ToT	Transportation of Things
TSO	Technology Services Organization
UAE	Uninstalled Aircraft Engines
UCA	Undefinitized Contract Actions
ULO	Unliquidated Obligation
UNSECNAV	Under Secretary of the Navy
USC	United States Code
USFF	United States Fleet Forces
USMC	United States Marine Corps
VCNO	Vice Chief of Naval Operations
VISTA	Visual Inter-fund System Transaction Accountability
WAN	Wide Area Network
WIPD	Wholesale Inventory Control Point Planning Division
WYPC	Work Year Personnel Cost

Attachment 3: ICOFR and ICOFS Material Weaknesses CAP Summary



Department of the Navy Material Weakness Summary of Corrective Action Plan

FIP Related Assessable Unit: Procure-to-Pay, Contract/Vendor Pay (CVP)

First Year Reported: FY 2014

Original Target Date: 2nd Quarter, FY 2014

Target Date on Prior Year SOA: N/A

Status: On Track

Current Target Date: 4th Quarter, FY 2014

Description of Weakness: The DON's control environment is not designed and/or operating effectively to ensure obligations incurred are posted in the general ledger(GL) accounting system in a timely manner. Obligations are not recorded in the GL system within 10 calendar days following obligating documents were signed and dated. The probable audit risk is that the DON may understate the obligation incurred balance in the financial statement.

Corrective Action Summary: The DON reiterated to the Commands the Department of Defense (DoD) Financial Management Regulations (FMR) Vol. 3 Chapter 8 requirement stating that "in no instance shall obligations be recorded any later than 10 calendar days following the day an obligation is incurred" to ensure that processes and policies are in place to comply with authoritative guidance.

Additionally, the DON released a corrective action plan to be implemented at the command level to ensure at least two government employees obtain and maintain an active EDA user account; and provide them with the functionality to create, edit, and maintain customized lists to support audit requirements and receive a Contract Load Electronic Notification report on a daily basis to ensure obligations are recorded timely.

Impediments: *Due to minimum or lack of communication between the contracting community and the financial management community responsible for recording the financial event may result in delays in posting obligations in a timely manner.*



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Procure-to-Pay, Contract/Vendor Pay (CVP)

First Year Reported: FY 2014

Original Target Date: 2nd Quarter, FY 2014

Target Date on Prior Year SOA: N/A

Status: On Track

Current Target Date: 4th Quarter, FY 2014

Description of Weakness: The DON's control environment is not designed and/or operating effectively as individual's without proper authority are approving purchase requests, purchase orders (not requiring a Contracting Officer's Warrant), and certifying invoices for payment. As a result, the DON identified a need to clarify requirements for delegating funds control authority and appointing accountable officials by function across the program to establish new internal control requirements and emphasis existing guidance to improve auditability. The probable audit risk is that the DON may not be able to substantiate individual's authority to approve purchase request, purchase orders, and certify invoices for payment.

Corrective Action Summary: The DON is drafting a SECNAVINST 7000.28, Requirements for Delegation and Appointment Documentation by Function at the entity-level to clarify the requirements for delegation and appointment documentation. The instruction will provide proper usage of DD Form 577 (Appointment/ Termination Record – Authorized Signature) and Delegation of Authority Letter, and enhance documentation retention and auditability across the DON.

Impediments: Prior to final release, the SECNAVINST 7000.28 requires multiple level of rigorous review across DON to ensure that it effectively addresses weakness in internal control at the entity-level.



**United States Marine Corps
Nonconformance
Summary Corrective Action Plan**

FIP Related Assessable Unit: Plan-to-Stock: Operating Material and Supplies, Global Combat Support System-Marine Corps (GCSS-MC)

First Year Reported: FY 2014

Original Target Date: 3rd Quarter, FY 2015

Target Date on Prior Year SOA: N/A

Status: On Track

Current Target Date: 3rd Quarter, FY 2015

Description of Weakness: Based on the Internal IT Control Assessment of the GCSS-MC, a feeder system to the Marine Corps core accounting system, Standard Accounting, Budgeting and Reporting System (SABRS), 11 Notices of Findings and Recommendations (NFRs) were provided to GCSS-MC management. The deficiencies span across multiple control categories defined in the Government Accountability Office (GAO) Federal Information System Controls Audit Manual (FISCAM), including application level general controls, access control, interface, and configuration management controls.

Corrective Action Summary: Management is in the process of developing a detailed Corrective Action Plan (CAP) for the GCSS-MC that will identify milestones required to remediate open NFRs. In coordination with GCSS-MC management, continue to implement and monitor actions identified in CAP to address the internal control deficiencies.

Impediments: Full FISCAM testing was performed over GCSS-MC in FY 2014. Without similar testing in prior years, GCSS-MC personnel are inexperienced with NFRs and CAPs, which can slow the initial effort to remediate open issues.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Acquire-to-Retire, Financial Reporting of General Equipment (GE) – General Fund & Navy Working Capital Fund

First Year Reported: FY 2007

Original Target Date: 1st Quarter FY 2009

Target Date on Prior Year SOA: 4th Quarter, FY 2014

Status: On Track

Current Target Date: 4th Quarter, FY 2014 (Assertion of Existence (E), Completeness (C), Rights & Obligations (R&O), and Presentation & Disclosure (P&D)) and 4th Quarter, FY 2017 (Assertion of Valuation)

Description of Weakness: 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 (ASR), and system limitations. In addition, the DON cannot substantiate that the ASR represents a complete inventory of GE assets. The DON's assets included in the ASR does not reflect all ancillary costs or assign an accurate useful life. The DON's inability to reconcile property accountability systems with financial systems equates to an inaccurate asset disclosure and presentation.

Corrective Action Summary: Corrective action tasks for the remaining GE segment will adhere to the FIAR assertion process. During the 1st Quarter FY 2013, the DON initiated discovery actions to include a Business Process Standardization initiative to map and streamline business processes and a data element data call. In May 2013, the DON asserted Navy Small Boats as a prototype of the larger GE assertion. For the remainder of GE, an initial round of inventory testing for E&C occurred in 1st and 2nd Quarters FY 2014, with corrective actions being issued in 3rd Quarter FY 2014. A second round of testing is scheduled for 4th Quarter FY 2014. Assertion of E, C, R&O, and P&D is planned for 30 September 2014.

Corrective actions will include determined causes of failure, development of corrective action plans, training of responsible Commands, implementation of internal controls, and retesting of performance. Additional testing and corrective actions for Valuation, including the Proper Financial Accounting Treatment for Assets within Navy Enterprise Resource Planning (ERP), will occur during the FY 2015-2017 timeframe.

Impediments: The DON has been concentrating its audit readiness efforts on the Statement of Budget Resources for FY 2012-14. Efforts regarding E, C, R&O, P&D, and Valuation has resumed in FY 2013 but is still competing for resources.



Department of the Navy
Material Weakness
Summary of Corrective Action Plan

FIP Related Assessable Unit: Plan-to-Stock, Financial Reporting of Operating Material and Supplies (OM&S) – General Fund

First Year Reported: FY 2005

Original Target Date: 4th Quarter FY 2011

Target Date on Prior Year SOA: 2nd Quarter, FY 2015

Status: On Track

Current Target Date: 2nd Quarter, FY 2015 (Assertion of E, C, R&O, and P&D) and 4th Quarter, FY 2017 (Assertion of Valuation)

Description of Weakness: The DON cannot demonstrate the ability to consistently perform and document annual physical inventories of OM&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&S dollar values. Legacy systems were 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 Principals (GAAP).

Corrective Action Summary: Over half of the known OM&S balance is composed of DON Ordnance and Uninstalled Aircraft Engines (UAE). The DON Ordnance has been asserted, Shore based Ordnance has been determined auditable by the DoD Inspector General, and Afloat Ordnance is undergoing examination. The UAE segment has also been asserted, and is under sustainment testing awaiting formal audit.

In the interim, the non-Ordnance/UAE OM&S segment will adhere to the FIAR assertion process. The DON initiated discovery actions to include a Business Process Standardization (BPS) initiative to map and streamline business processes, and a data element data call. The DON has issues with identifying the total OM&S universe. The DON is planning a partial round 1 test of known OM&S in 4th Quarter 2014 to push the assertion process forward. Corrective actions to follow based on results. Corrective actions will include: determining causes for failure, developing corrective action plans, training responsible personnel, implementing internal controls, and retesting performance, with a second round of testing. Assertion of E, C, R&O, and P&D is scheduled for 31 March 2015.

Impediments: The DON has been concentrating its audit readiness efforts on the Statement of Budget Resources, Ordnance, UAE and General Equipment testing for FY 2013/14. Efforts regarding remaining OM&S E, C, R&O, P&D, and Valuation has resumed in FY 2014.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Acquire-to-Retire, Financial Reporting of Real Property (RP) – General Fund & Navy Working Capital Fund

First Year Reported: FY 2006

Original Target Date: 2nd Quarter, FY 2009

Target Date on Prior Year SOA: 1st Quarter, FY 2015 (Phase 1) and 4th Quarter, FY 2017 (Phase 2) **Status:** On Track

Current Target Date: 1st Quarter, FY 2015 (Phase 1) and 4th Quarter, FY 2017 (Phase 2)

Description of Weakness: The DON has insufficient standardized internal control and supporting documentation requirements, which ultimately has a direct impact on the timeliness and accuracy of Construction in Progress (CIP) and RP transactions. RP acquisition, inventory, and disposal processes and systems deficiencies results to miscommunication and insufficient support for asset ownership and valuation.

Corrective Action Summary: The Naval Facilities Engineering Command (NAVFAC) has been adhering to the FIAR assertion process. NAVFAC automated the DD 1354 process that captures CIP costs in the Facilities Information System (FIS) and matches to RP values recorded in the accountable property system of record, Internet Naval Facilities Asset Data Store (iNFADS). Additional actions were to develop a Project Completion Report in FIS that alerts the FM Analyst of projects that have passed the Interim DD Form 1354 stage and are in years 6-9 of the appropriation's lifecycle. The report prompts FM Analysts to confirm with the Capital Improvements and Acquisition business lines that all CIP costs have been accrued. Additional corrective actions that were implemented: 1) developed a CIP Finalized Indicator in FIS that the FM Analyst can enable to identify projects with no additional anticipated costs, 2) developed logic in iNFADS to prevent the creation of the Final DD Form 1354 until the CIP Finalized Indicator in FIS is enabled, and 3) developed an automated email function in iNFADS to alert the Real Property Accountability Officer (RPAO) when the CIP Finalized Indicator in FIS is enabled, thereby prompting the RPAO to create the Final DD Form 1354. These corrective actions were implemented as of 28 February 2014, and are being tested as part of the FIAR Assertion testing that will be performed in Q4 of 2014.

Impediments: NAVFAC is currently testing and analysis must wait until these CAPs are complete.



Department of the Navy
Material Weakness
Summary of Corrective Action Plan

FIP Related Assessable Unit: Plan-to-Stock, Financial Reporting of Inventory – Navy Working Capital Fund Supply Management (NWCF-SM)

First Year Reported: FY 2005

Original Target Date: 4th Quarter, FY 2011

Target Date on Prior Year SOA: 4th Quarter, FY 2017

Status: On Track

Current Target Date: 4th Quarter, FY 2017

Description of Weakness: The DON cannot maintain accurate Moving Average Cost (MAC) inventory values and clear audit trails by Accounting System of Record (ASR) to permit the tracing of transactions from the source documentation to the reported total dollar values on the Inventory line item on Navy's Financial Statements. The initial MAC values for the inventory items in ERP were calculated with an adjusted Latest Acquisition Cost (LAC) maintained in the legacy accounting system. The legacy accounting system did not maintain the necessary historical cost data to support MAC. Authoritative source documentation to calculate MAC was unavailable and does not exist for all material currently in the NWCF-SM inventory. There are also current organic processes that do not support the proper valuation of MAC.

Corrective Action Summary: Discussions between the Office of Financial Operations and the Under Secretary of Defense (Comptroller) have lead to an agreement on the valuation of Inventory. FMO submitted a formal waiver to the current DoD Financial Management Regulation (FMR) policy that prohibits the use of estimates for Inventory valuation. An update to the current FMR is expected by the end of the calendar year to allow for the alignment of operating costs associated with a contract to the Inventory values. Further discussions between the FMO and Commands to refine the procurement contractual actions to support proper MAC valuation are needed.

Impediments: Authoritative source documentation to calculate MAC was unavailable and does not exist for all material currently in the NWCF-SM inventory. Also, refinement of the procurement contractual actions and organic repair processes must be completed to remediate the corrective action.



**United States Marine Corps
Material Weakness
Summary Corrective Action Plan**

Financial Improvement Plan (FIP) Related Assessable Unit: Acquire-to-Retire, Military Equipment Assets

First Year Reported: FY 2008

Original Target Date: 2nd Quarter, FY 2013

Target Date on Prior Year SOA: 4th Quarter, FY 2014

Status: Slipped

Current Target Date: 2nd Quarter, FY 2015

Description of Weakness: Evidence that supports the five financial statement audit assertions (i.e., Existence, Completeness, Valuation, Rights and Obligations, and Presentation and Disclosure) is insufficient or not readily available. Military Equipment valuation is potentially unsupported given weaknesses in maintaining supporting documentation for military equipment valuations, acquisition or disposal dates, useful life, waivers, and program completeness.

Corrective Action Summary: Establishing historical costs for existing assets poses a difficult challenge as Marine Corps, Department of Defense, Procurement and Property control systems were not designed to record, process, and report financial transactions accurately and in accordance with generally accepted accounting principles (GAAP). Therefore, we must develop a new strategy, Standard Operating Procedures, and implement Marine Corps policy to support asset acquisition costs, place in service dates, disposals, and transfers. The policies and controls should ensure key supporting documentation / declaration of ownership (KSDs/DOOs) are completed accurately and are readily available to support life-cycle events including future audits. To mitigate deficiencies identified during testing, we will ensure that applicable KSDs/DOOs have evidence of review and signature by appropriate authorized individuals, date, actual quantities, and contract serial number. Additionally, we will ensure Unique Item Identification (UII) received are clearly identified and issuing documents are signed and dated by the recipient or captured within Wide Area Workflow (WAWF).

Impediments:

- Change in Military Equipment Valuation strategy, stakeholder review including U.S. Marine Corps, Installations and Logistics, Programs and Resources, Systems Command, DON and DoD IG
- Establish historical costs for existing assets
- Equipment from property records
- Continued funding for Unique Item Identification (UID) program



**United States Marine Corps
Material Weakness
Summary Corrective Action Plan**

FIP Related Assessable Unit: Acquire-to-Retire, Real Property & Garrison Property Assets

First Year Reported: FY 2008

Original Target Date: 2nd Quarter, FY 2010

Target Date on Prior Year SOA: 4th Quarter, FY 2014

Status: Slipped

Current Target Date: 4th Quarter, FY 2016

Description of Weakness: Evidence that supports the five financial statement audit assertions (i.e., Existence, Completeness, Valuation, Rights and Obligations, and Presentation and Disclosure) is insufficient or not readily available. Real Property and Garrison property valuation remains unsupported given a continued lack of audit trail documentation. Findings are consistent with Department of the Navy (DON) weaknesses and are representative of additional coordination requirements with the Naval Facilities Engineering Command (NAVFAC) to ensure that property transfers, capital improvements, and disposals are accompanied by appropriate supporting documentation.

Corrective Action Summary: Define and formalize valuation methodologies and document retention policy of real property and garrison property. Increased training and conducted training at select installations. Developed a DD Form 1354 module in internet Navy Facilities Assets Data Store (iNFADS) to be used for all military construction (MILCON). Conducted meetings with Marine Corps Real Property Accountability Officers to resolve business process issues related to real property accountability. Published process guidance document for real property stewardship at Marine Corps installations. Initial site visits conducted across all MCICOM Installations for Defense Property Accountability System (DPAS) and iNFADS assets and property. Procure additional contract support to document internal controls for real property and garrison property financial reporting and conduct on-site validation of new guidance at Marine Corps installations. Marine Corps and DON coordinate real property solutions (NAVFAC Source Documentation Sustainment). Work with DON to publish guidance letter on real property classification. Publish new Marine Corps Order (MCO) 11000.26 and associated procedural handbook on Real Estate and Real Property Management and Accountability. Work with HQMC in the review of all iNFADS Land Records, DPAS Capital assets, and accountable property prior to FY 2017.

Impediments: Efforts tied to improvements in document accuracy and retention are contingent upon proper coordination with NAVFAC. Improvements are paramount if we are to test and provide reasonable assurance for asset Existence, Completeness, Rights and Obligations, and Valuation and Accuracy. While we have communicated the need for receipt/transfer documentation across our Major Commands and engaged in training to ensure that personnel understand documentation requirements, the Marine Corps recognizes that additional improvements reside outside of our functional control. Updated target date is in line with the Balance Sheet-Audit Assurance for Real Property.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Budget-to-Report, Financial Statement Compilation and Reporting (FSCR) – General Fund, Field Level Journal Vouchers (JVs) and Standard Business Transactions (SBTs)

First Year Reported: FY 2014

Original Target Date: 4th Quarter, FY 2013

Target Date on Prior Year SOA: 4th Quarter, FY 2013

Status: Slipped

Current Target Date: November 30, 2014

Description of Weakness: The DON's control environment is not designed and/or operating effectively to ensure all Business Entries follow a standardized process to support an audit trail. Inconsistent procedures for recording Business Entries (Journal Vouchers/Standard Business Transactions) and retaining the proper supporting documentation pose a significant risk to producing accurate and complete financial statements and reports.

Corrective Action Summary: Developed the "Department of Navy Policy for Business Entries Including Journal Vouchers" as well as the Standard Business Transaction Corrective Action Plan (CAP) to standardize the definition of a Journal Voucher vs. a Standard Business Transaction utilizing a risk-based approach. These documents provide guidance and requirements for documentation and internal controls to help ensure all Business Entries (JVs and SBTs) are properly prepared, reviewed/approved, supported, and documented in a standardized fashion.

The DON will leverage the "Journal Voucher Policy and Standard Business Transaction Corrective Action Plan Implementation Guidance" as well as additional Job Aids and Desk Guides to assist with the successful implementation of the Policy and the CAP. The second round of FSCR testing for Journal Vouchers and Standard Business Transactions is planned to begin in September 2014 that will exclusively include the month of August 2014 JV and SBT population.

Impediments: Successful remediation of the identified control weaknesses is fully reliant on the DON Commands and Defense Finance and Accounting Service Accounts Maintenance and Control (DFAS-AM&C) implementation. Previously issued DON Policy for JVs has not been uniformly adhered to; therefore management plays a vital role in communicating to Command and DFAS-AM&C personnel its expectations of establishing a controlled environment.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Procure-to-Pay, Financial Reporting of Military Standard Requisitioning and Issue Procedures (MILSTRIP) - Shipyards

First Year Reported: FY 2013

Original Target Date: 4th Quarter, FY 2013

Target Date on Prior Year SOA: 4th Quarter, FY 2013

Status: On-Track

Current Target Date: 4th Quarter, FY 2014

Description of Weakness: Transactions resident to Naval Shipyard requisition 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 facilities, which adversely impacts the implementation corrective action plans. Key Supporting Documentation (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. Due to the referenced issues, the potential risk exists for Naval Shipyards to overstate or understate financial statement obligations and disbursements.

Corrective Action Summary: The segment feeder system reconciliation validated MILSTRIP GL transactions against related supply data for Naval Shipyards and Regional Maintenance Centers (RMCs). The DON conducted site visits at Material Shipyard/RMC locations to better understand reconciling items. From the site visits the DON is documenting a baseline for Shipyard controls and KSDs, as well as root causes for control weaknesses relevant to MILSTRIP. Once discovery efforts are completed, the DON will issue Corrective Actions for MILSTRIP to remediate gaps and standardize KSDs across the sites in Q4 2014. The DON is working with Senior Leadership to identify a champion that can help drive implementation of corrective actions for at Shipyards/RMCs.

Impediments: There are multiple stakeholders and non-standardized business processes across various resources.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Procure-to-Pay, Financial Reporting of MILSTRIP – Visual Inter-fund System Transaction Accountability (VISTA) Validation

First Year Reported: FY 2013

Original Target Date: 4th Quarter, FY 2013

Target Date on Prior Year SOA: 4th Quarter, FY 2013

Status: On-Track

Current Target Date: 4th Quarter, FY 2014

Description of Weakness: The DON's Service Provider DFAS has insufficient controls in place to validate the effectiveness of VISTA system functionality for assigning a Line of Accounting (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 Federal Information Systems Control Audit Manual (FISCAM), VISTA controls cannot be conclusively tested. The potential audit risk is an overstatement or understatement of financial statement disbursements.

Corrective Action Summary: DFAS is scheduled to complete VISTA FISCAM control testing in 4th Quarter, FY 2014. This testing should provide assurance on the system's logic for applying the correct LOAs. The MILSTRIP feeder system reconciliation demonstrates that the population of disbursement transactions in the General Ledger are materially complete, in regards to billing records.

Impediments: The DON is placing reliance on DFAS to complete the logic validation in a timely manner so that deficiencies can be remediated prior to the SBA audit



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Procure-to-Pay, Financial Reporting of MILSTRIP – Unliquidated Obligation (ULO)

First Year Reported: FY 2013

Original Target Date: 2nd Quarter, FY 2014

Target Date on Prior Year SOA: 2nd Quarter, FY 2014

Status: Delayed

Current Target Date: 2nd Quarter, FY 2015

Description of Weakness: 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 Department of Defense (DoD) Financial Management Regulation (FMR) Triannual Review guidance for dormant obligations limits the scope of review for MILSTRIP ULOs, because the volume of transactions are valued below the established dollar thresholds. Cumulative ULO balances not reviewed due to dollar thresholds could potentially overstate financial statement commitments and obligations.

Corrective Action Summary: The DON is analyzing its Tri-Annual review process across segments. The DON is also documenting requirements for a MILSTRIP ULO reconciliation process designed to review all dormant transactions, regardless of dollar thresholds or overage criteria. The functional requirements for this analysis of MILSTRIP ULOs were created. The technical requirements for this analysis of MILSTRIP ULOs are in process. The DON will assess requirements and develop a strategy to integrate segment specific MILSTRIP ULO requirements with the consolidated DON-wide Tri-Annual review approach.

Impediments: Due to the volume of MILSTRIP transactions, an automated solution is needed to address ULOs.



United States Marine Corps
Material Weakness
Summary Corrective Action Plan

FIP Related Assessable Unit: Procure-to-Pay, MILSTRIP

First Year Reported: FY 2009*

Original Target Date: 2nd Quarter, FY 2010

Target Date on Prior Year SOA: 4th Quarter, FY 2013

Status: Slipped

Current Target Date: 2nd Quarter, FY 2015

Description of Weakness: Offline Requisitions. The Defense Logistics Agency (DLA) and General Services Administration (GSA) established an off line requisition systems to access and purchase cataloged or GSA schedule products. These systems did not include the necessary interfaces with the Marine Corps supply and financial automated systems; therefore, incomplete information resulted in invalid accounting entries and Prompt Payment Act violations. (This issue is one of the causes relating to the weakness in timely recording of obligations.)

Corrective Action Summary: Marine Corps proposed system changes/interface requests to DLA/EMALL representatives. DoD Activity Address Codes (DoDAACs) Integrated Process Team (IPT) established to review and accurately identify commands that may utilize offline requisitioning portals (requisition authority review). DoDAAC Reset Bulletin published. Units and activities validated DoDAACs, as a result, 1,147 DoDAACs were deleted and the number of DoDAACs with requisition authority was reduced from 4,000 to 1,614. Headquarters Marine Corps (HQMC) provided internal control structure to DLA that will reject transactions that create obligations--system to system restrictions developed and implemented. Implemented EMALL access controls and system changes. Implementation of Proposed Defense Logistics Management System (DLMS) Change (PDC) 328: Offline Requisition processing for fund availability checks (Finance/Supply) delayed due to funding. The United States Army (USA) funding will allow the advancement of DoD systems and processes that are needed to establish the interface between DoD EMALL and SABRS, the Marine Corps accounting system. Once interface is implemented, Funds Control Interface re-testing, validation, and policy implementation will be completed. The process will enter the sustainment/monitoring phase upon completion of this milestone.

Impediments:

- Various delays were experienced for accomplishing System Change Requests (SCRs) due to funding.
- Anticipate continued, further delays in both the SCR process, as well as government testing by both DLA and USMC.

*Although related to financial reporting, this issue has been previously reported as an operational material weakness as "Offline Requisitions".



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Order-to-Cash, Reimbursable Work Order – Performer (RWO–P)

First Year Reported: FY 2012

Original Target Date: FY 2012

Target Date on Prior Year SOA: FY 2012

Status: Slipped

Current Target Date: 3rd Quarter, FY 2015

Description of Weakness: The DON's control environment is not designed and/or operating effectively to verify undelivered orders and accounts receivables represent valid transactions that are authorized and approved. There is a potential audit risk that the DON's financial statements do not accurately account for undelivered orders or accounts receivables, which could result in invalid and/or unauthorized transactions.

Corrective Action Summary: In accordance with the DoD FMR Volume 3 Chapter 8 Section 0804, Commands will implement a Tri-annual Review to monitor the status of dormant reimbursable agreement receivables and unfilled orders to validate a bona fide need still exists. Dormant receivables and unfilled orders are reviewed for timeliness, accuracy, and completeness and are closed out when applicable. The Tri-annual Review must include the review of accounts receivables to certify transactions conform to the management requirements for proper financial management oversight. Reviews will be completed within 21 working days following the four-month periods ending on January 31, May 31 and September 30 of each fiscal year. Although the DoD FMR requires fund holders to maintain adequate source documentation in support of Tri-annual reviews for 24 months, the DON is requiring fund holders to maintain documentation indefinitely in support of audit readiness.

Impediments: The DON has encountered delays in fully implementing this corrective action due to ERP general ledger system limitations to generate standard reports and transactional data consistently across the Department. System changes addressing challenges will need to be developed and approved by leadership.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Order-to-Cash, RWO-P

First Year Reported: FY 2012

Original Target Date: FY 2012

Target Date on Prior Year SOA: FY 2012

Status: Slipped

Current Target Date: 4th Quarter, FY 2016

Description of Weakness: The DON's control environment is not designed and/or operating effectively to verify unfilled reimbursable orders/authorizations are recorded completely and accurately. There is a potential audit risk that the DON's financial statements are understated or overstated for unfilled reimbursable orders/authorizations.

Corrective Action Summary: Scheduled for implementation in FY2016, the DoD enterprise-wide solution is the Invoice Processing Platform (IPP), which is contingent upon development of system interfaces between Federal accounting system of records which will allow DON to perform Trading Partner reconciliations. Upon launch of the IPP, Commands will perform monthly reconciliations with Trading Partners (Grantors) to identify variations. Variations will be logged, validated and signed by Performer personnel, and the Authorizing Official will review and approve corrections.

As a short term solution to demonstrate completeness of unfilled reimbursable orders and authorizations, the DON continues to perform reconciliations between material feeder systems and the General Ledgers .

Impediments: Due to different accounting systems utilized by Trading Partners, the DON is unable to perform Trading Partner reconciliation between Navy and non-Navy partners. The Implementation of IPP will accelerate development of system interfaces that will allow Commands to obtain the necessary data to perform the Trading Partner reconciliation.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Order-to-Cash, RWO-P

First Year Reported: FY 2012

Original Target Date: FY 2012

Target Date on Prior Year SOA: FY 2012

Status: Slipped

Current Target Date: 4th Quarter, FY 2015

Description of Weakness: The DON's control environment is not designed and/or operating effectively to verify year-end accruals are accurately posted. Without a methodology for posting accruals, there is a risk that financial transactions will not be posted during the proper reporting period. The DON's balance sheet statement is potential impacted if not addressed.

Corrective Action Summary: The DON will centrally develop methodologies to estimate and post receivable accruals for implementation across Major Commands.

Impediments: The DON does not currently have consistent methodologies for estimating and recording accruals associated with RWO receivables, which will need to be developed and implemented prior to testing.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Order-to-Cash, RWO-P

First Year Reported: FY 2012

Original Target Date: FY 2012

Target Date on Prior Year SOA: FY 2012

Status: Slipped

Current Target Date: 4th Quarter, FY 2016

Description of Weakness: 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. A potential audit risk exists that financial statements do not reflect an accurate record of account receivables.

Corrective Action Summary: Scheduled for release in FY2016, DoD's enterprise wide solution is the implementation of IPP, which will assist the DON in performing electronic receipt and acceptance procedures for goods and services. Supporting documentation will be maintained with in the IPP system.

Impediments: Current processes to demonstrate the completeness and accuracy of receipt and acceptance of goods/services are labor intensive requiring manual research. Implementation of the IPP will allow Commands to perform receipt and acceptance procedures electronically. Additionally, the Independent Public Accountant (IPA) noted they will no longer accept post collection testing documentation as acceptable audit support.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Procure-to-Pay, Reimbursable Work Order – Grantor (RWO-G)

First Year Reported: FY 2012

Original Target Date: FY 2012

Target Date on Prior Year SOA: FY 2012

Status: Slipped

Current Target Date: 3rd Quarter, FY 2015

Description of Weakness: The DON's control environment is not designed and/or operating effectively to verify undelivered orders and accounts receivables represent valid transactions that are authorized and approved. There is a potential audit risk that the DON's financial statements do not accurately account for undelivered orders or accounts receivables, which could result in invalid and/or unauthorized transactions.

Corrective Action Summary: In accordance with the DoD FMR Volume 3 Chapter 8 Section 0804, Commands will implement a Tri-annual Review to monitor the status of dormant reimbursable agreement receivables and unfilled orders to validate a bona fide need still exists. Dormant receivables and unfilled orders are reviewed for timeliness, accuracy, and completeness and are closed out when applicable. The Tri-annual Review must include the review of accounts receivables to certify transactions conform to the management requirements for proper financial management oversight. Reviews will be completed within 21 working days following the four-month periods ending on January 31, May 31 and September 30 of each fiscal year. Although the DoD FMR requires fund holders to maintain adequate source documentation in support of Tri-annual reviews for 24 months, the DON is requiring fund holders to maintain documentation indefinitely in support of audit readiness.

Impediments: The DON has encountered delays in fully implementing this corrective action due to ERP general ledger system limitations to generate standard reports and transactional data consistently across the Department. System changes addressing challenges will need to be developed and approved by leadership.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Procure-to-Pay, RWO-G

First Year Reported: FY 2012

Original Target Date: FY 2012

Target Date on Prior Year SOA: FY 2012

Status: Slipped

Current Target Date: 4th Quarter, FY 2016

Description of Weakness: The DON's control environment is not designed and/or operating effectively to validate recorded obligations are complete and accurate. There is a potential audit risk that obligations are understated or overstated in the DON's financial statements.

Corrective Action Summary: Scheduled for implementation in FY2016, the DoD enterprise-wide solution is the Invoice Processing Platform (IPP), which is contingent upon development of system interfaces between Federal accounting system of records which will allow DON personnel to perform Trading Partner reconciliations. Upon launch of the IPP, Commands will perform monthly reconciliations with Trading Partners (Grantors) to identify variations. Variations will be logged, validated and signed by Performer personnel, and the Authorizing Official will review and approve corrections.

Impediments: Due to different accounting systems utilized by Trading Partners, the DON is unable to perform Trading Partner reconciliation between Navy and non-Navy partners. The Implementation of IPP will accelerate development of system interfaces that will allow Commands to obtain the necessary data to perform the Trading Partner reconciliation.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Procure-to-Pay, RWO-G

First Year Reported: FY 2012

Original Target Date: FY 2012

Target Date on Prior Year SOA: FY 2012

Status: Slipped

Current Target Date: 4th Quarter, FY 2016

Description of Weakness: The DON's control environment is not designed and/or operating effectively to verify recorded disbursements are valid and accurate. There is a potential audit risk that disbursements are overstated in the DON's financial statements.

Corrective Action Summary: Scheduled for release in FY2016, DoD's enterprise-wide solution is the implementation of IPP, which will assist the DON in performing electronic receipt and acceptance procedures for goods and services. Supporting documentation will be maintained with in the IPP system.

Impediments: Current process to demonstrate the completeness and accuracy of receipt and acceptance of goods/services are labor intensive requiring manual research. Implementation of the IPP will allow Commands to perform receipt and acceptance procedures electronically and more efficiently. Additionally, the Independent Public Accountant (IPA) noted they will no longer accept post collection testing documentation as acceptable audit support.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Procure-to-Pay, RWO-G

First Year Reported: FY 2012

Original Target Date: FY 2012

Target Date on Prior Year SOA: FY 2012

Status: Slipped

Current Target Date: 4th Quarter, FY 2015

Description of Weakness: The DON's control environment is not designed and/or operating effectively to validate year-end accruals are accurately posted. Without a methodology for posting accruals, there is a risk that financial transactions will not be posted during the proper reporting period. The DON's balance sheet statement is potential impacted if not addressed.

Corrective Action Summary: The DON will centrally develop methodologies to estimate and post payable accruals for implementation across Major Commands.

Impediments: The DON does not currently have consistent methodologies for estimating and recording accruals associated with RWO payables, which will need to be developed and implemented prior to testing.



**United States Marine Corps
Material Weakness
Summary Corrective Action Plan**

FIP Related Assessable Unit: *Procure-to-Pay, Contracts / Reimbursable Work Orders - Grantor*

First Year Reported: *FY 2012*

Original Target Date: *4th Quarter, FY 2013*

Target Date on Prior Year SOA: *4th Quarter, FY 2013*

Status: *Slipped*

Current Target Date: *4th Quarter, FY 2015*

Description of Weakness: Missing Receipt and Acceptance Supporting Documentation. Project Management Offices (PMOs) often do not receive delivery confirmation documentation from Defense Contract Management Agency (DCMA) – Authorized Contracting Officers (ACOs), DoD – Distribution Management Offices (DMOs), Service – Project Management Offices (PMOs), Fleet Marine Force (FMF) delivery points, non-FMF delivery points or interim delivery points. As a result, the recording of receipt (expense) transactions in the Marine Corps accounting system, Standard Accounting, Budgeting and Reporting System (SABRS) often takes place after invoice payments are made rather than at the time of delivery. This issue involves all contracts in DoD that contain Marine Corps Systems Command (MCSC) funding that directs the acceptance point to be at origin or destination.

- The deficiencies were identified in the results of the Statement of Budgetary Resources (SBR) Audit Notice of Finding and Recommendation (NFR) - NFR 2010-FS-003, "Liquidations Precede the Recording of Expenses" and NFR 2010-FS-004, "Lack of Sufficient Audit Evidence to Substantiate Obligations, Expenses, and Disbursements Recorded as of 9/30/09".
- The issue also relates to NFR 2011-FS-004, "Controls over the Intra-governmental Payment and Collection (IPAC) System Process," and NFR 2013-FS-002, "Lack of sufficient audit evidence," that observed that the Marine Corps does not adequately monitor payments made under intra-governmental purchase agreements to determine the accuracy and validity of the payments for goods and services.

Corrective Action Summary: Once receipt, acceptance and reporting actions are resolved, timely and accurate recording of SABRS expense transactions and valid supporting documentation concerns will also be resolved. MCSC Deputy for Resource Management (DRM) implemented a process to record expenses based on each individual disbursement which will alleviate carrying records in an abnormal condition when the expense is not recorded prior to posting the disbursement voucher. MCSC will continue to provide quarterly training and continue the DRM expense processing until a requested Engineering Change Proposal is completed for the Wide Area Workflow system to mitigate this issue. USMC work with OUSD (AT&L) and DLA to require external-to-USMC feeder systems to establish interfaces via the DLA Transactions Services. Establish a single repository to house all receipt and acceptance documentation. USMC is finalizing policy and Standard Operating Procedures (SOPs) to require standard documentation for IPAC receipt and acceptance audit trails, and is also participating in the Department of the Treasury's pilot Internet Payment Platform (IPP) to ensure customer confirmation of receipt and acceptance.

Impediments: Progress and timing of the Department of the Treasury's pilot IPP to full implementation is outside of Marine Corps control.



**United States Marine Corps
Material Weakness
Summary Corrective Action Plan**

FIP Related Assessable Unit: Procure-to-Pay, Contracts / Reimbursable Work Orders - Grantor

First Year Reported: FY 2012

Original Target Date: 4th Quarter, FY 2013

Target Date on Prior Year SOA: 4th Quarter, FY 2015

Status: Slipped

Current Target Date: 4th Quarter, FY 2015

Description of Weakness: Timely Recording of Obligations. There is no electronic posting interface with the Marine Corps accounting system, Standard Accounting, Budgeting and Reporting System (SABRS), when joint contracts are awarded by Navy and external organizations such as the Army and Defense Contract Management Agency (DCMA), requiring manual posting of obligations. 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 Defense Finance and Accounting Service (DFAS) payment process. Obligations are recorded late in SABRS instead of in accordance with the DoD Financial Management Regulation (FMR), within 6 to 10 days of award. This includes contract modifications that affect obligation increases or decreases. Untimely obligation postings cause a) pre-validation errors and related delays (e.g. late vendor payment), which unnecessarily cost the public in interest penalties and erode credibility with vendors, and b) understated obligations (i.e. overstated available balances), which lead to rework (i.e. higher DFAS bill, inefficient use of USMC resources), disbursements greater than the corresponding obligations and possible Anti-Deficiency Act (ADA) violations. The deficiency was identified in the Statement of Budgetary Resources (SBR) Audit results (NFR 2010-FS-013, "Lack of Timely and Accurate Recordings of Transactions"). When SABRS obligation postings (increases or decreases) are not recorded timely, the financial position is understated or overstated in the corresponding reporting months.

Corrective Action Summary: Developed management guidance (SABRS Aged and Abnormal Reports Manual) and produce monthly reports from which Marine Corps Commands and HQMC can monitor and address abnormal accounting conditions. Created and implemented a rigorous Tri-Annual Review (TAR) and confirmation process. Published management guidance (Tools Support Document) that empowers Commands and HQMC with information resource tools that enable the timely retrieval of source documentation to support audit requirements and assist in providing complete supporting documentation for audit samples. Implement the Treasury's Invoice Payment Platform (IPP) for Military Interdepartmental Purchase Requests (MIPRs) and Work Requests, and mandate use of *PR Builder* for all non-GCSS purchases.

Impediments: Work with service providers to ensure timely notification of contract award. Marine Corps continues to use non-interfacing internet-purchasing applications (e.g. *eMail*, *GSA Advantage*) and has not forced all Military Standard Requisitioning and Issuing Procedures (MILSTRIP) requisitions through the Global Combat Supply System-Marine Corps (GCSS-MC). OUSD (AT&L) and DLA continue to allow the use of external-to-USMC feeder systems without established interfaces via the DLA Transactions Services.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Procure to Pay, Transportation of Things – TAC Authorization and Funds Validation

First Year Reported: FY 2013.

Original Target Date: 4th Quarter, FY 2014

Target Date on Prior Year SOA: 4th Quarter, FY 2014.

Status: Slipped

Current Target Date: 4th Quarter, FY 2017

Description of Weakness: No effective controls are in place to prevent unauthorized use of Transportation Account Codes (TAC) or prevent unauthorized shipments from occurring. Transportation Officers across DoD 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. This results in Transportation services being charged to the wrong organization and/or line of accounting. In addition, this also results in over/understatement of the lines of accounting; which in turn, leads to ADA violations. This issue aligns with the existence and occurrence; rights and obligations; and presentation and disclosure assertions.

Corrective Action Summary: Work with OSD-led working groups to develop DoD-wide solutions and mitigating strategies.

Impediments: DON transportation transactions are governed by DoD-level business processes and are dependent on non-Navy activities. Corrective action timelines are primarily determined by the OSD-led working groups.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Procure to Pay, Transportation of Things – Access to Key Supporting Documentation

First Year Reported: FY 2013

Original Target Date: 4th Quarter, FY 2014

Target Date on Prior Year SOA: 4th Quarter, FY 2014

Status: Slipped

Current Target Date: 4th Quarter, FY 2017

Description of Weakness: The DoD does not have a centralized process to maintain, store, and retrieve transportation documentation which are required to support ToT transactions, management evaluation, and future examination/audits. The majority of ToT KSDs are generated by systems/processes not owned by DON and cannot be provided in a timely manner. This issue aligns to valuation, existence/completeness, and presentation and disclosure assertions.

Corrective Action Summary: Work with OSD-led working groups to develop DoD-wide solutions and mitigating strategies.

Impediments: DON transportation transactions are governed by DoD-level business processes and are dependent on non-Navy activities. Corrective action timelines are primarily determined by the OSD-led working groups.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Procure to Pay, Transportation of Things - Standardization of System and Data Requirements

First Year Reported: FY2013

Original Target Date: 4th Quarter, FY 2014

Target Date on Prior Year SOA: 4th Quarter, FY 2014

Status: Slipped

Current Target Date: 4th Quarter, FY 2017

Description of Weakness: Interfaces among transportation and financial systems do not support exchange of all required transactional data. Majority of ToT systems are owned by TSPs and other services, and have not been included in DON audit readiness systems and compliance testing efforts. Navy standard document numbers may be altered as transportation transactions enter other services' financial and transportation systems (i.e. DCMS, CAPS-W). These differences system requirements result in lost or corrupted transference of data, and increased risk of incorrect financial reporting, and extreme difficulty/inability to trace transactions from GL to source documentation. This issue aligns to valuation, existence/completeness, and presentation and disclosure assertions.

Corrective Action Summary: Work with OSD-led working groups to develop DoD-wide solutions and mitigating strategies.

Impediments: DON transportation transactions are governed by DoD-level business processes and are dependent on non-Navy activities. Corrective action timelines are primarily determined by the OSD-led working groups.



Department of the Navy
Nonconformance
Summary of Corrective Action Plan

FIP Related Assessable Unit: Budget-to-Budget, Financial System, Schedule of Budgetary Activity (SBA)

First Year Reported: FY 2013

Original Target Date: 4th Quarter, FY 2014

Target Date on Prior Year SOA: N/A

Status: On Track

Current Target Date: 4th Quarter, FY 2014

Description of Weakness: Assessment results for nine general support and major applications revealed internal control design and operating effectiveness deficiencies in four areas: access controls, configuration management, audit and accountability, and identification and authentication. These deficiencies represent an overall information technology material weakness. The nine systems include Command Financial Management System (CFMS), Funds Administration and Standardized Document Automation System (FASTDATA), Navy Enterprise Resource Planning (NERP), Navy Standard Integrated Personnel System (NSIPS), MPN Appropriation Justification Book Input and Compilation (MAJIC), Navy Reserve Order Writing Systems (NROWS), Reserve Integrated Management System-Financial Management (RIMS-FM), Reserve Headquarters Support (RHS), Special Warfare Automated Logistics Information System (SWALIS).

Corrective Action Summary: The DON's IT FIAR Assessment Team is working to identify the inventory of financially relevant IT Systems and to remediate identified control deficiencies. There are 39 3rd Party Assessments (performed by audit-qualified contractors) currently underway focused on the Navy IT Systems that support financial reporting to the greatest extent. All 39 IT Systems will complete their Phase I base year assessment by the end of FY 14. In Phase I, they identify and assess those IT controls that mitigate the most common critical risks to the information presented in the DON's financial statements. Ineffective controls in those areas pose an immediate threat to the completeness and accuracy of the DON's financial statements. Subsequent Phases (II and III) focus on follow up actions to remediate earlier controls as well as identifying and remediating an additional set of lower priority controls.

In FY 14, a Self-assessment effort (performed by system owners) was initiated which focused on the next 41 Navy IT Systems deemed supportive of the DON's financial statements. The self-assessment purpose is identical to the 3rd Party Assessment, but the system owners utilize self-guided workbooks to identify and remediate the most important IT controls. Over two years, and the completion of six workbooks (security management, access controls, configuration management, segregation of duties, contingency planning and interface controls), the self-assessment effort should result in IT Systems well prepared for audit.

In FY 14, ASN (FM&C) and DON CIO collaborated in establishing the Financial Information System Working Group (FISWG). The FISWG is chartered by the DON Audit Readiness Steering Committee (ARSC) as a decision making body. It is focused on addressing systemic IT control deficiencies (e.g. lack of entity-wide policies and procedures), and governance/communications among leadership and stakeholders.

Throughout the year, advantage has been taken of many forums to tell the FISCAM story and train Navy staff on FISCAM audit requirements. Monthly meetings with the Command CIO's allowed us to convey new FISCAM initiatives and the status of current efforts. Participation in the East and West Coast Navy IT Conferences provided an exceptional opportunity to update the FISCAM effort and answer questions. System Component CIO's have been kept abreast of 3rd Party Assessments on a regular basis. The establishment of training for Business Segment staffs has enhanced their understanding for FISCAM and audits. The continued expansion of outreach to the financial and IT communities will ensure further progress in audit readiness.

Through Assessments of IT Systems that support financial reporting, solid governance and guidance from the FISWG, training and communications, and collaboration with audit readiness partners, solid progress towards audit readiness will continue.

Impediments: Corrective action for core financial systems impacting the DON's SBA will require considerable resources and coordination within the DON and its shared service providers in order to achieve milestones.



**United States Marine Corps
Nonconformance
Summary Corrective Action Plan**

FIP Related Assessable Unit: Budget-to-Report, Financial Reporting - Standard Accounting, Budgeting and Reporting System (SABRS)

First Year Reported: FY 2011

Original Target Date: 2nd Quarter, FY 2012

Target Date on Prior Year SOA: 2nd Quarter, FY 2015

Status: Slipped

Current Target Date: 2nd Quarter, FY 2015

Description of Weakness: Based on the audits of the FY 2010 through FY 2013 Statement of Budgetary Resources (SBR) and Schedule of Budgetary Activity (SBA), 32 Notices of Findings and Recommendations (NFRs) were provided to SABRS management. The deficiencies span across multiple control categories defined in the Government Accountability Office (GAO) Federal Information System Controls Audit Manual (FISCAM), including application level general controls, business process, interface and data management system controls.

Corrective Action Summary: In coordination with SABRS management, continue to implement and monitor actions identified in Plan of Action and Milestones to address the internal control deficiencies. The SABRS team successfully remediated 3 findings from FY 2013, 9 findings from FY 2012 and 8 findings from FY 2011. As of June 2014, there are 12 findings for SABRS that have not been remediated. The 12 outstanding findings require several types of actions to include implementing technical solutions such as implementing a System Change Request (SCR), and updating policies and procedures. SABRS management continues to make progress in addressing the remaining outstanding issues.

Impediments: Auditors performed a full FISCAM testing over SABRS for the FY 2013 SBA audit and issued 8 new notices of findings and recommendations (NFRs) in FY 2014, increasing the total number outstanding. The 12 outstanding NFRs have not been resolved for several reasons to include redesigned processes needing time to mature before auditors can reassess, needing adequate time to develop and implement policies and procedures, and SCRs needing adequate time for testing and implementation. Remaining weaknesses are being addressed as quickly as resources will allow.



**United States Marine Corps
Nonconformance
Summary Corrective Action Plan**

FIP Related Assessable Unit: Budget-to-Report, Financial Reporting - Defense Departmental Reporting System (DDRS)

First Year Reported: FY 2011

Original Target Date: 2nd Quarter, FY 2012

Target Date on Prior Year SOA: 4th Quarter, FY 2015

Status: Slipped

Current Target Date: 2nd Quarter, FY 2015

Description of Weakness: Based on the audits of the FY 2010 and FY 2011 Statement of Budgetary Resources (SBR) and the FY 2012 Schedule of Budgetary Activity (SBA), 17 Notices of Findings and Recommendations (NFRs) were provided to DDRS management. The deficiencies span across multiple control categories defined in the Government Accountability Office (GAO) Federal Information System Controls Audit Manual (FISCAM), including application level general controls, business process, interface and data management system controls.

Corrective Action Summary: In coordination with DDRS management, continue to implement and monitor actions identified in Plan of Action and Milestones to address the internal control deficiencies. The DDRS team successfully remediated 5 findings in FY 2013, 2 findings in FY 2012 and 7 findings were remediated in FY 2011. As of June 2014, there are 3 open findings for DDRS that have not been remediated. The 3 outstanding findings require several types of action to include updating policies and procedures to accurately reflect processes, removing users with inappropriate access, and the implementation of a new process for periodic reviews of system changes. DDRS management continues to make progress in addressing the remaining outstanding issues.

Impediments: The 3 outstanding findings have not been resolved for several reasons to include redesigned processes needing time to mature before the auditors can reassess and DDRS personnel needing adequate time to perform sample testing over new controls. Remaining weaknesses are being addressed as quickly as resources will allow.



**United States Marine Corps
Nonconformance
Summary Corrective Action Plan**

FIP Related Assessable Unit: Budget-to-Report, Fund Balance With Treasury - Defense Cash Accountability System (DCAS)

First Year Reported: FY 2011

Original Target Date: 2nd Quarter, FY 2012

Target Date on Prior Year SOA: 4th Quarter, FY 2014

Status: Slipped

Current Target Date: 2nd Quarter, FY 2015

Description of Weakness: Based on the audits of the FY 2010 and FY 2011 Statement of Budgetary Resources (SBR) and FY 2012 Schedule of Budgetary Activity (SBA), 6 Notices of Findings and Recommendations (NFRs) were provided to DCAS management. The deficiencies span across multiple control categories defined in the Government Accountability Office (GAO) Federal Information System Controls Audit Manual (FISCAM), including application level general controls, business process, interface, and data management system controls.

Corrective Action Summary: In coordination with DCAS management, continue to implement and monitor actions identified in Plan of Action and Milestones to address the internal control deficiencies. The DCAS team successfully remediated 1 finding in FY 2013 and 4 findings in FY 2012. As of June 2014, 1 finding for DCAS has not been remediated. The outstanding finding requires 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. DCAS management continues to make progress in addressing the remaining outstanding issue.

Impediments: The finding has not been resolved for several reasons to include technical solutions not being implemented on time and redesigned processes needing time to mature before the auditors can reassess. The remaining weakness is being addressed.



**United States Marine Corps
Nonconformance
Summary Corrective Action Plan**

FIP Related Assessable Unit: Hire-to-Retire, Military Pay - Marine Corps Total Force System (MCTFS)

First Year Reported: FY 2011

Original Target Date: 2nd Quarter, FY 2012

Target Date on Prior Year SOA: 4th Quarter, FY 2013

Status: Slipped

Current Target Date: 2nd Quarter, FY 2015

Description of Weakness: Based on the audits of the FY 2010 through FY 2013 Statement of Budgetary Resources (SBR) and Schedule of Budgetary Activity (SBA), 27 Notices of Findings and Recommendations (NFRs) were provided to MCTFS management. The deficiencies span across multiple control categories defined in the Government Accountability Office (GAO) Federal Information System Controls Audit Manual (FISCAM), including application level general controls, business process, interface, and data management system controls.

Corrective Action Summary: In coordination with MCTFS management, continue to implement and monitor actions identified in Plan of Action and Milestones to address the internal control deficiencies. The MCTFS team successfully remediated 5 findings in FY 2013, 4 findings in FY 2012, and 6 findings were remediated in FY 2011. Two findings were closed by the auditors in FY 2013, updated and re-issued along with 10 additional findings. As of June 2014, there are 12 findings for MCTFS that have not been remediated. The 12 outstanding findings require several types of action to include updating policies and procedures to accurately reflect processes as well as redesigning processes. MCTFS management continues to make progress in addressing the remaining outstanding issues.

Impediments: Auditors performed full FISCAM testing over MCTFS for the FY 2013 SBA audit and issued or re-issued 12 notices of findings and recommendations (NFRs) in FY 2014, increasing the total number outstanding. The 12 outstanding NFRs have not been resolved for several reasons to include lack of resources due to a technical upgrade. Remaining weaknesses are being addressed as quickly as resources allow.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Procure-to-Pay, Contract/Vendor Pay (CVP)

First Year Reported: FY 2013

Original Target Date: 4th Quarter, FY 2013

Target Date on Prior Year SOA: N/A

Status: Corrected

Current Target Date: 4th Quarter, FY 2013

Description of Weakness: 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. The probable audit risk is that the DON may understate or overstate accounts payables financial statements.

Corrective Action Summary: Commands will require authorized government officials validating receipt and acceptance to confirm that appropriate acknowledgement is performed and acceptable supporting documentation is retained for auditability. Upon acknowledging receipt and acceptance, the authorized government official must annotate such language as "acknowledged receipt and acceptance of goods received and/or services rendered without exception." For non-conforming goods, the authorized government official must immediately notify the perspective vendor. Associated liability transactions must be recorded in a timely and accurate manner to ensure delivered orders are not understated or overstated in financial statements.

Impediments: Current system limitations, lack of document retention policies and procedures, and the unclear guidance for performing proper receipt and acceptance prohibits optimum performance and the recording of related accounting transactions.



**Department of the Navy
Material Weakness
Summary of Corrective Action Plan**

FIP Related Assessable Unit: Order-to-Cash, RWO-P

First Year Reported: FY 2012

Original Target Date: FY 2012

Target Date on Prior Year SOA: FY 2012

Status: Corrected

Current Target Date: N/A

Description of Weakness: The DON's control environment is not designed and/or operating effectively to verify collections are processed timely, completely, and accurately. There is a potential audit risk that revenue and collections are understated or overstated on the DON's financial statements.

Corrective Action Summary: Defense Finance and Accounting Service (DFAS) will implement a process to research and resolve all unmatched collections identified in the Unmatched Collection Database. DFAS-Cleveland is currently implementing and testing the process. Upon DFAS-Cleveland testing and process verification, DFAS-Columbus will implement a similar process.

Impediments: N/A

FEDERAL MANAGERS'
FINANCIAL INTEGRITY ACT
STATEMENT OF ASSURANCE
FY 2014



DEPARTMENT OF THE NAVY
