

Naval Audit Service



Audit Report



Management of Navy Unit Identification Codes

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N2011-0004
22 October 2010

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MEMORANDUM FOR OFFICE OF THE ASSISTANT SECRETARY OF THE NAVY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DEPARTMENT OF THE NAVY/ASSISTANT FOR
ADMINISTRATION

Subj: **MANAGEMENT OF NAVY UNIT IDENTIFICATION CODES**
(AUDIT REPORT N2011-0004)

Ref: (a) NAVAUDSVC memo N2009-NMC000-0059.000, dated 14 April 2009
(b) SECNAV Instruction 7510.7F, "Department of the Navy Internal Audit"

1. The report provides results of the subject audit announced in reference (a). Section A of this report provides our findings and recommendations, summarized management responses, and our comments on the responses. Section B provides the status of the recommendations. The full text of management responses is included in the Appendices.
2. Action taken by Department of the Navy/Assistant for Administration meet the intent of Recommendation 9, and the recommendation is closed. Actions planned by the Office of the Assistant Secretary of the Navy, (Financial Management and Comptroller) meet the intent of Recommendations 1 through 8 and 10 through 13. These recommendations are considered open pending completion of the planned corrective actions, and are subject to monitoring in accordance with reference (b). Management should provide a written status report on the recommendations within 30 days after the target completion dates. Please provide all correspondence to the Assistant Auditor General for Internal Controls, Contracts, and Investigative Support, XXXXXXXXXXXXXXXXXXXXXXXXXXXX, with a copy to the Director, Policy and Oversight, XXXXXXXXXXXXXXXX. Please submit correspondence in electronic format (Microsoft Word or Adobe Acrobat file), and ensure that it is on letterhead and includes a scanned signature.
3. Any requests for this report under the Freedom of Information Act must be approved by the Auditor General of the Navy as required by reference (b). This audit report is also subject to followup in accordance with reference (b).

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**Subj: MANAGEMENT OF NAVY UNIT IDENTIFICATION CODES
(AUDIT REPORT N2011-0004)**

4. We appreciate the cooperation and courtesies extended to our auditors.



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Executive Summary

Overview

The Navy Unit Identification Code (UIC) is a unique alpha-numeric code assigned to all Navy activities. The UIC is a means of identifying activities, and it is necessary to conduct financial and manpower transactions.

The Department of Defense Activity Address Code (DODAAC) is a six-position code that uniquely identifies an activity. An authority code is assigned to each DODAAC, and it establishes the authority for an activity to requisition materials and services. The DODAAC authority code should agree with the UIC purpose code. If the purpose and authority codes are not in agreement, the potential exists for activities to initiate requisitions when they are not authorized to do so.

The Defense Finance and Accounting Service, Cleveland (DFAS/CL) maintains the UIC and DODAAC data for the Navy based on inputs provided by the Navy. Navy commands submit requests for establishing, modifying, or disestablishing a UIC through the Budget Submitting Office (BSO), which forwards this information to DFAS/CL.

We evaluated management practices and internal controls for establishing, modifying, and disestablishing UICs and DODAACs in effect from April 2007 through 16 June 2009. We performed the audit from 14 April 2009 to 20 August 2010.

Reason for Audit

The audit objective was to verify that the Navy effectively managed UICs, to include the establishment, modification, and disestablishment of UICs.

This audit was initiated based on Risk Assessment inputs submitted by the Director of the Navy Staff in Fiscal Years 2007 and 2008. The risk inputs stated that the Navy did not have a complete and accurate list of all UICs because no single command was designated to manage Navy UICs.

Conclusions

We concluded that Navy UICs were not effectively managed. Specifically, the Navy did not have a complete and accurate list of UICs. This occurred because controls were not

in place to ensure that complete and accurate UIC data was included in the official Navy UIC table. Specifically, there was no centralized authority for UIC assignment and management, guidance on UIC management was not sufficient, UIC data was not reconciled to the Navy's official UIC table to identify corrections needed due to UIC changes, and Navy personnel were unfamiliar with the processes for managing UICs.

Inaccurate and incomplete UIC data contributed to errors in lines of accounting, approximately \$27 million in unmatched disbursements, unauthorized requisitions valued at about \$230 million, and an inability to fully track progress on E-Commerce performance -- a key Navy initiative.

Command Ethics Program

The Secretary of the Navy's commitment to ethics was reflected in a 2006 objective, "Reinforcing ethics as a foundation of conduct within the Department of the Navy." The Naval Audit Service reviewed the Department of the Navy ethics programs at the office of the Director of Navy Staff because that office requested the audit. We determined that the command did have an effective ethics program in place in terms of the systems, processes, procedures, etc., to reasonably ensure compliance with Department of Defense 5500.7-R, "Joint Ethics Regulation," and Executive Order 12674, "Principles of Ethical Conduct for Government Officers and Employees."

Communication with Management

Throughout the audit, we kept senior management informed of the conditions noted. Specifically, we held the following briefings:

- Interim briefing on 4 November 2009 with Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) and Director, Navy Staff personnel to inform them of the conditions noted and our recommendations.
- Status briefing on 9 November 2009 with the Assistant for Administration, Under Secretary of the Navy (AAUSN)¹ to discuss conditions noted and recommendations.
- While we were on site at the offices of the: (1) AAUSN on 9 November 2009, (2) Fleet Forces Command on 28 October 2009, (3) Commander, Naval Installations Command on 5 November 2009, and (4) Commander, Naval Reserve Forces Command on 16 November 2009, we met with the command personnel responsible for UICs, information technology staff, and the audit liaisons to inform them of inaccuracies of UIC data in the official UIC table and their data call submissions.

¹ This office is now known as the Department of the Navy/Assistant for Administration.

- During several site visits with DFAS/CL on 17 June and 10 September 2009, we met with senior management and the audit liaison to discuss issues found during audit execution and potential recommendations that would be made to Navy senior management.
- We met with Assistant Secretary of the Navy (Financial Management and Comptroller); Director, Navy Staff; and Deputy Chief of Naval Operations Manpower Personnel Training and Education representatives on 9 June 2010 to discuss the audit report findings and recommendations.

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) of 1982, as codified in Title 31, United States Code, requires each Federal Agency head to annually certify the effectiveness of the agency's internal and accounting system controls.

Recommendations 1 through 9 address issues related to the internal controls for the establishment, modification, and disestablishment of Navy UICs. In our opinion, the weaknesses noted in this report may warrant reporting in the Auditor General's annual FMFIA memorandum identifying management control weaknesses to the Secretary of the Navy.

Corrective Actions

To correct the conditions noted in this report, we made recommendations to the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) and AAUSN. Management took or plans corrective actions that, when implemented, should establish sufficient controls over the management of Navy UICs. Our recommendations include establishing a central authority for UIC management; issuing standardized guidance for managing UICs; and requiring reviews and reconciliations of UICs to ensure accuracy in Navy systems and correcting inaccurate UIC data.

Section A:

Findings, Recommendations, and Corrective Actions

Finding 1: Managing Navy Unit Identification Codes

Synopsis

Navy Unit Identification Codes (UICs) were not effectively managed, and the Navy did not have a complete and accurate list of UICs. The UIC is a unique alpha-numeric code assigned to Navy activities. Navy commands use the official Navy UIC table as a source for identifying Navy activities when conducting financial and budgeting transactions. The Navy Organization Change Manual, Office of the Chief of Naval Operations (OPNAV) Instruction 5400.44 provides instruction for the establishment, disestablishment, or modification of a limited number of (about 3,500) fleet and shore activities of the Navy. Navy UICs were not managed properly because sufficient controls were not in place to ensure that complete and accurate UIC data was included in the official Navy UIC table. Specifically: (1) there was no single Navy activity responsible for assigning and managing UICs, (2) there was insufficient guidance for establishing, modifying, and disestablishing UICs, (3) UIC data was not reconciled to the official UIC table, and (4) Navy personnel were not aware of the process for managing UICs. As a result, insufficient controls contributed to: (1) no one source of complete and accurate UIC data, (2) inaccurate UIC data in 3,337 lines of accounting that contributed to \$27 million in unmatched disbursements, and (3) the inability to track progress on the Navy E-Commerce performance goals.

Discussion of Details

Background

The UIC is a five-character alpha-numeric code used to identify organizational entities or commands within the Department of the Navy. All Navy activities must have a UIC in order to conduct financial and manpower transactions. The current management of Navy UICs is divided between Defense Finance and Accounting Service-Cleveland (DFAS/CL) and Navy Budget Submitting Offices (BSOs). Navy commands submit requests for establishing, modifying, or disestablishing a UIC through the BSO. The BSO forwards this information to the Director, DFAS/CL, Reporting Operations Branch

(code JAFBA). Navy BSOs submit UIC data independently without any review or oversight other than the BSO.

DFAS/CL maintains a master UIC database that includes all UICs for the Navy -- both active and disestablished. DFAS updates their master UIC database as BSOs submit written requests to establish, modify, or disestablish a UIC. The database includes the UIC, purpose code, name, location, major command, and established and disestablished dates. In April 2009, there were a total of 50,266 UICs on the DFAS master UIC database -- 22,652 active and 27,614 disestablished. DFAS/CL forwards changes submitted by the Navy weekly to the Assistant for Administration, Under Secretary of the Navy (AAUSN)² to update the official UIC table on the AAUSN website.

The Navy is the only service using DFAS to maintain and process UIC data. In September 2000, the Navy procured the hardware and software for the Navy Unit Identification Code Management Information System (NUMIS) to manage UIC data electronically. NUMIS became operable in July 2002. NUMIS operated with strong user activity through May 2003. The contractor's planned cost associated with maintaining NUMIS was \$300,000 per year. However, after the implementation of NUMIS, the contractor increased the cost to \$1.4 million per year. Funding for NUMIS was discontinued because the Navy decided that having DFAS maintain and process their UIC data would be more economical. In Fiscal Year 2008, the cost associated with DFAS maintaining and processing the Navy's UIC data was about \$79,000.

The Financial Management Policy Manual, NAVSO P1000-2-5, is the authoritative source for Navy UICs (the official UIC table). In March 2009, there were 28,012 UICs listed as active on the official UIC table. The UIC table can be accessed and downloaded from the AAUSN website.

UIC data must be complete and accurate because it is an integral part of Navy and other Department of Defense (DoD) management information systems. For example, the UIC is an element necessary to initiate requisitions and pay bills. The Standard Accounting and Reporting System/Field Level (STARS/FL) uses UIC data when paying bills and compiling financial data for reports forwarded to Navy management. Inaccurate UIC data can contribute to bill payment problems and can impede providing necessary information to management in a timely manner. UIC data is also used in organization and manpower transactions.

Pertinent Guidance

OPNAV Instruction 5400.44, "Navy Organizational Change Manual," dated 5 October 2007, provides guidance and procedures for the establishment,

² This office is now known as the Department of the Navy/Assistant for Administration.

disestablishment, or modification of a limited number of fleet and shore activities of the United States Navy. An Organization Change Request is an OPNAV Form 5400/1 and is the approved way to transmit organizational change information. Echelon II commands are responsible for the management and use of UICs to support organizational actions under their administrative control. The following business rules for UIC assignment, cancellation, or change apply:

a. Requests should be submitted in writing through command channels to: Director, DFAS/CL. UIC requests may also be submitted to DFAS via email.

b. Requests should identify the full name of the activity or command and mailing address for which UIC assignment is required, and the purpose(s) for which the UIC will be employed, as well as the BSO and OPNAV Resource Sponsor.

c. UIC listings include the UIC, purpose code, name, location, and major command exercising overall authority.

d. Within 22 work days after formal announcement of established or disestablished activities, DFAS will be provided with billing information and the mailing address by the immediate superior in command of the new or disestablished activity.

NAVSO P 1000-2-5, “Unit Identification Codes, Navy Comptroller Manual,” dated 12 December 2002, Definitions section, defines the UIC as a five-character alpha-numeric code used to identify organizational entities within the Department of the Navy. The Responsibilities section describes the procedures for organizational units under DFAS/CL and states that requests for assignment, cancellation, or change should be submitted in writing through command channels to DFAS. UIC assignment requests should identify the full name and mailing address of each organizational entity for which UIC assignment is required, and the purpose(s) for which the UIC will be employed. Purpose code assignment is based on meeting one or more of the code definitions outlined in the purpose code table. Purpose codes D, S, and M indicate that the UIC is included in the DoD Activity Address Directory (DODAAD). UIC assignment requests for those purposes should be accompanied by a request for DODAAC assignment.

DFAS, Standard Procedures Code JAFBA, “UIC/DODAAC Annual Data Call,” of February 2009, describes the UIC and DODAAC annual data call. The purpose of the data call is discussed in section 1.1, which states that it is used to verify the accuracy and status of all active UICs and DODAACs in the respective databases and to identify active UICs and DODAACs for updating or deactivation. This procedure will address the process for verifying UIC records belonging to the major commands. Major command/BSO responsibility is defined in section 3.5, which states major commands are responsible for verifying the accuracy and completeness of all UIC and DODAAC records belonging to the command. Section 3.6 states major commands will clearly

identify UIC and DODAAC records to be updated or deleted and return records to the UIC-DODAAC mailbox in a timely manner.

Audit Results

UIC Validity

UICs were not managed effectively. The Navy did not have a complete and accurate list of UICs. Sufficient controls were not in place to ensure that complete and accurate UIC data was included in the Navy NAVSO P1000 official UIC table. We reviewed the current UIC processes for managing the Navy UICs; conducted a UIC data call for 22 Navy BSOs (see Exhibit E for a listing of the BSOs); and compared UIC data between the DFAS master database, the Navy’s official UIC table, and BSO submissions to identify UIC discrepancies. We concluded each source of UIC data was incomplete and inaccurate based on discrepancies identified. The following table summarizes the data elements tested.

Table 1. UIC Database Key Data Elements

| Data Element | Description |
|--|---|
| UIC | A five-position alpha-numeric code used to identify organizational entities within the Department of the Navy |
| Purpose Code | The purpose(s) for which the UIC will be used |
| Command/Activity Name | The activity that uses the UIC |
| Address | City and State |
| Major Sponsor/Budget Submitting Office | The command responsible for the completeness and accuracy of its subordinate command UIC information |

Current UIC Processes

Command and Budget Submitting Offices. The BSOs (Echelon IIs) were responsible for establishing, modifying, and disestablishing Navy UICs within the BSO chain of command. Additionally, we identified three commands that were not BSOs (Echelon IIs) that also performed these duties (references in the report to BSOs include these three commands). See Exhibit E for commands and BSOs. The BSOs were required to submit written requests to DFAS/CL so that DFAS/CL could take actions needed to maintain Navy UICs. BSOs were also responsible for responding to the DFAS/CL annual UIC data call and responding to any corrective action needed to ensure that the UIC data on the official UIC table was accurate. We identified errors with BSO submissions, such as improper purpose code or the UIC was not included in the DFAS master UIC database.

The full extent of the errors is discussed in this report in the paragraph on the Naval Audit Service data call.

DFAS/CL. The Comptroller of the Navy designated DFAS/CL in 1992 to process and maintain UIC data submitted by BSOs. DFAS/CL makes UIC assignments and changes as they receive written requests from the BSOs. This is not considered a management function because DFAS: (1) does not develop specific UIC policy for the Navy, (2) does not reconcile differences in the UIC database, and (3) does not have authority over Navy commands, and therefore cannot direct or require Navy commands to take specific actions such as respond to a DFAS UIC data call. DFAS relies on the BSOs to provide complete and accurate UIC data to ensure that UIC data posted to the DFAS master UIC database and the official UIC table is accurate and complete. To verify, validate, and update the UIC data on the official UIC table, DFAS contacts BSOs through an annual UIC/DODAAC data call. In the February 2009 data call, 8 of 24 BSOs, or 33 percent, did not respond. DFAS/CL stated there was no single Navy command or effective method to resolve UIC problems when BSOs did not respond to data calls or if the BSO provided incomplete UIC data (see also “Reasons for Insufficient Internal Controls”). DFAS forwarded UIC data to AAUSN for further processing by the Navy. The following table shows the eight BSOs that did not respond to the DFAS 2009 data call:

Table 2. BSOs that did not respond to DFAS Data Call

| BSO UIC | BSO Name |
|---------|--|
| 00002 | Central Operating Activity |
| 00015 | Office of Naval Intelligence |
| 00027 | Marine Corps Headquarters (see footnote ³) |
| 00030 | Strategic Systems Programs |
| 00060 | US Fleet Forces Command |
| 00069* | Navy Information Operations Command |
| 00104 | Navy Inventory Control Point, Mechanicsburg |
| 00383 | Navy Inventory Control Point, Philadelphia |

* According to DFAS/CL, 00069 is an Echelon III, and its UIC data was subsequently rolled up into BSO 00060.

Assistant for Administration, Undersecretary of the Navy. The AAUSN Office of Process, Technology, and Information, received weekly updates from DFAS/CL to update the Navy’s official UIC table. During the audit, we determined that AAUSN had two uniform resource locators (URLs) (Web sites) for Navy commands/activities to access the official UIC table. AAUSN created the second link in September 2008 and subsequently stopped updating the UIC table shown at the old link. However, AAUSN did not notify Navy commands or DFAS about the new link. Therefore, Navy commands

³ BSO 00027 is Marine Corps Headquarters that has the responsibility to manage some Navy UICs. These UICs are not Marine Corps UICs. These UICs are used to track funding for Navy funded work performed by the Marine Corps.

and DFAS continued accessing and using the official UIC table at the old link that had inaccurate and incomplete UIC data. In June 2009, we asked AAUSN IT staff why the old link was not disabled. IT personnel were not aware that the old link was still active. We asked AAUSN why they did not notify the Navy commands about the change, and they stated they did not because they were not told to do so. AAUSN disabled the old URL Web site after our site visit in November 2009. While the steps AAUSN took address the outdated URL, we are making a recommendation in order to codify that action into our audit tracking and followup system.

Director Navy Staff. Director Navy Staff (DNS) 33 is responsible for coordinating actions to establish, disestablish, or modify shore activities, detachments, and naval operating forces sponsored by the Secretary of the Navy (SECNAV)/Chief of Naval Operations (CNO). This includes about 3,500 commands listed in the Standard Navy Distribution List (SNDL). Changes/modifications to the SNDL are accomplished through the organizational change request process. The organizational change request process initiates a change to a Navy organization or command for actions including: establishment/disestablishment of a shore or fleet command; consolidation of two or more commands; changes in a command's mailing address or command name; or change in command leadership from a military to a civilian billet. The UIC is a necessary element when making these changes, and is directly impacted by establishment, disestablishment, or consolidation of commands. The commands contained in the SNDL are subject to the organizational change request process and the DNS Echelon I level review. There are about 20,000 commands that have no Echelon I level review or oversight to ensure the accuracy and completeness of activity change data and UICs impacted by the changes. In these instances, the Echelon II command deals directly with DFAS to modify an existing command or obtain a new UIC.

Deputy Chief of Naval Operations, Manpower, Personnel, Training, and Education (DCNO MPT&E). The DCNO MPT&E N122E has responsibility for about 3,500 UICs/commands that do not require official SECNAV/CNO (DNS) review or approval for establishment, disestablishment, or modification. These are referred to as manpower-only UICs, and contain at least one purpose code that is a "J." Purpose code "J" indicates that the UIC is to be used for identifying transactions for military personnel accounting under the Joint Uniform Military Pay System and Manpower and Personnel Training Information System. A BSO can apply directly to CNO N122E to create, modify, or delete a manpower UIC. N122E will enter the data into the Total Force Manpower Management System (TFMMS) and then notify DFAS. These types of UICs typically meet the following conditions:

- Components may be established within an existing activity to reflect a fair crediting of sea or shore duty to billet incumbents;
- The activity and its components need to be included in different major force programs;

- The component is in a different geographic location from the parent organization and day-to-day management must be shifted within the component because of distance from the parent organization.

Naval Audit Service Data Call

During April 2009, the Naval Audit Service (NAVAUDSVC) sent out a UIC data call to 22 Navy BSOs.⁴ The BSOs responded with data for 16,649 UICs. We used NAVAUDSVC data mining personnel to compare the BSOs’ UIC data to the DFAS master UIC database. We determined that the UIC data was inaccurate and incomplete. It contained UICs that were not found on the DFAS master database as well as UICs that had been disestablished. UICs not found on the DFAS master database indicate DFAS had no record of the UIC being established. Each UIC exception we identified could have an error in more than one category.

Table 3. UIC Errors Submitted by the BSO

| Error Found | Definition of Error | Total No. of UICs |
|--|--|-------------------|
| UIC not found on DFAS master database | No evidence that the UIC was established through DFAS | 211 |
| Major command UIC did not match DFAS master database | UIC for the major command exercising overall authority did not match | 1,593 |
| Purpose code(s) did not match DFAS master base | Purpose(s) for which the UIC will be used did not match | 2,921 |
| Activity/command name did not match DFAS master database | Full name of activity or command did not match | 6,169* |
| Disestablished UIC | UIC was disestablished by DFAS based on a request submitted by a BSO | 390 |

* Names cited as an error if not matched exactly (i.e. abbreviated versus full name). The NAVSO P-1000 requires the full name of the activity.

Database Comparisons

We also compared UIC data between the DFAS master database, the Navy official UIC table, and the results from the NAVAUDSVC data call. The three sources of UIC data differed significantly. The differences indicate there is no reliable source of UIC data. The discrepancies are identified in the following table:

⁴ There are only 19 Navy BSOs; however, Bureau of Naval Personnel Central Operating Activity and the two Naval Inventory Control Points were designated to function as a BSO to administratively manage the UICs under their control. See Exhibit E for a list of BSOs.

Table 4. UIC Discrepancies

| UIC Status | DFAS Master Database | Official UIC Table | NAVAUDSVC Data Call |
|---------------------|----------------------|--------------------|---------------------|
| Total | 50,266 | 28,012 | 16,649 |
| Active | 22,652 | 22,163 | 16,048 |
| Disestablished | 27,614 | 5,849 | 390 |
| UIC Not Established | 0 | 0 | 211 |

DFAS Master UIC Database. As of 17 April 2009, the DFAS master database contained a total of 50,266 UICs, including current UICs and a historical record of disestablished Navy UICs. The master database was incomplete because we found 1,747 active UICs that were missing the associated BSO. DFAS needs the BSO information to send out annual UIC validations and resolve any UIC issues.

Official Navy UIC Table NAVSO P1000. As of 10 March 2009, the official UIC table contained a total of 28,012 UICs, including 5,849 UICs that, according to the DFAS master database,⁵ had been disestablished, and 1,747 UICs that did not have the required BSO assigned (these are the same UICs that were missing the associated BSO in the DFAS master UIC database mentioned previously).

NAVAUDSVC Data Call. The BSOs reported 390 UICs as active when they were from disestablished commands, and 211 UICs that were never established by DFAS because the BSOs had not submitted a request for them to be established.

Reasons for Insufficient Internal Controls

Central Management of UICs

The management of Navy UICs includes writing comprehensive UIC guidance, coordinating BSO UIC submissions, reconciling and resolving UIC errors, and establishing processes to ensure UIC data is complete and accurate. There was no single Navy command or activity that had the overall UIC assignment, management, and responsibility or provided the required oversight. As discussed previously, DFAS/CL, AAUSN, and the BSOs each had a role in establishing, modifying, and disestablishing Navy UICs. However, these commands/activities did not have overall UIC responsibility. There was not an effective method to resolve problems, such as lack of BSO response to DFAS data calls or databases missing BSO or major command data. In addition, a regular, comprehensive reconciliation of UIC data was not performed to ensure the Navy's official UIC table was complete and accurate.

⁵ DFAS deleted UICs based on written correspondence and e-mails received from the Navy BSOs. DFAS kept the correspondence on file, and we did confirm with the Navy at least 1,300 disestablished UICs had not been removed from the Navy database. Therefore, we accept the DFAS total of disestablished UICs as reasonable.

Navy Guidance for UIC Management

There was no single instruction or directive that included all Navy commands for all aspects of establishing, modifying or deleting UICs.

OPNAV Instruction 5400.44 provides guidance and procedures for transmitting organizational changes for SECNAV-/CNO-sponsored fleet and shore activities and detachments using the organizational change request form. The instruction only applies to about 3,500 commands assigned to SECNAV/CNO.

NAVSO P-1000, Volume 2, Chapter 5 provides procedures for the assignment, cancellation, or modification of Navy UICs. However, the manual does not state who is required to, or responsible for, submitting requests to DFAS, nor does it provide a standardized means of transmitting the information to DFAS.

DFAS Standard Procedures describes the process for verifying UIC records during the annual Navy UIC and DODAAC data call. It did not provide procedures for establishing, modifying, or disestablishing Navy UICs.

As a result, UICs were created and used that contributed to: inaccurate and incomplete sources of UIC data, inaccurate UIC data in lines of accounting that are used to accumulate and report accounting information, unmatched disbursements, and the inability to fully track progress on the Navy E-Commerce performance goals.

The UIC management process includes inputs from BSOs, DFAS, DNS 33, and DCNO MPT&E. Each of these commands impacts the UIC process and the accuracy and completeness of UIC data. The inputs and participation of each of these organizations should be considered and evaluated when developing new UIC management policy/instructions.

Reconciliation of UIC Data

The BSOs did not reconcile their respective UIC data to the official Navy table. During the annual data call, DFAS requires that the BSO verify the accuracy and completeness of all UIC records belonging to the command. However, there is no requirement to reconcile their UIC data to the official Navy table. When we compared the BSO UIC data to the Navy table, we found that there were 921 UICs submitted by the BSOs that were not listed on the table and 12,284 UICs on the table that were not submitted by the BSOs.

STARS/FL is the system DFAS/CL used to process financial transactions for the Navy. As discussed in the “Effects of Insufficient Internal Controls” section (below), DFAS maintains a UICs table in STARS/FL and the UIC data is used when processing financial

transactions. DFAS/CL accounting department personnel did not reconcile UICs in the STARS/FL table to the master database of UICs or purge disestablished UICs from the STARS/FL table. These two tables are maintained by two separate departments within DFAS. The accounting department stated that they were not aware of the master database maintained by the reporting operations department. In addition, they did not reconcile the two because there was no requirement to do so.

Unfamiliarity with the UIC Management Process

To determine whether the BSOs were aware of the UIC management process, we visited Fleet Forces Command, Commander Navy Installations Command, and Naval Reserve Forces Command, which together accounted for 61 percent of the errors found with the NAVAUDSVC data call submissions. BSO personnel were not aware that they submitted inaccurate and incomplete UIC data in their responses to us. We determined that they were unaware of basic information needed to effectively manage UICs. Specifically, Fleet Forces Command, Commander Navy Installations Command, and Naval Reserve Forces Command were not aware of:

- How to access the official UIC table on the AAUSN website or that there was a new URL to access the UIC table. We provided the link to BSO personnel.
- The required data needed to establish a UIC. For example, BSO personnel were not aware that when submitting a request to establish a UIC that they were required to assign a purpose code(s), nor did they know what a purpose code was. We provided a list of the purpose codes and purpose code definitions to BSO personnel.
- The information contained in NAVSO P1000-2-5, Unit Identification Codes. NAVAUDSVC provided copies of the guidance and a link to where it could be downloaded.

Effects of Insufficient Internal Controls

The inaccurate and incomplete UIC information: contributed to errors in lines of accounting that are used to accumulate and report accounting information, and to approximately \$27 million in unmatched disbursements; prevented tracking the progress in meeting E-Commerce performance goals; contributed to inaccurate financial reports; adversely impacted various management information systems; and prevented the development of a complete and accurate UIC database.

Errors in Lines of Accounting

The UIC is part of the payment information included in a line of accounting (LOA) that is needed to pay bills. Invalid UIC data in LOAs contributed to unmatched disbursements

(UMDs) for the Navy. A UMD occurs when an invoice is paid and the payment information does not match an obligation when posted to STARS/FL. We obtained the UMD database (1081 History File) for the time period April 2007 to April 2009 from DFAS/CL. We used data mining techniques to identify the transactions in the file that had invalid⁶ UIC data in the LOAs. There were a total of 4,621 LOAs, valued at \$2.9 billion, for the time period we audited. We determined that 3,337 LOAs, valued at \$27 million, had inaccurate UIC data, which contributed to UMDs for the Navy.

E-Commerce

E-Commerce is the process whereby bills are recorded and paid electronically. This reduces the need for personnel resources, speeds payments, and reduces costs. DoD establishes annual goals for the military services to convert invoice payments from manual to electronic processing. The Navy goal for Fiscal Year 2009 was to pay 92 percent of invoices electronically. The Navy achieved 64 percent. We obtained the DFAS/CL OnePay Vendor Pay Report from October 2008 to March 2009 from OASN (FM&C) FMO that contained 222 invalid⁷ UICs. FMO used this report to track which major commands used manual processes to pay commercial vendors, but the invalid UICs prevented a complete analysis. An accurate and complete UIC database is essential for producing reliable metrics and identifying commands that are still processing invoices manually.

Inaccurate Financial Reports

Accurate financial data is essential for Navy managers to conduct business, measure performance, and identify problems. We identified 222 invalid UICs (the same invalid UICs mentioned in the E-Commerce section above) that certified vendor payments contained in a DFAS-generated OnePay Vendor Pay Report that was provided to the Navy. When we analyzed supporting contracts, public vouchers, and other payments, we determined that, in fact, valid UICs had certified the vendor payments. DFAS senior management stated that the One-Pay report contained invalid UIC data because the OnePay system extracted UIC data from a wrong data field and because the STARS/FL UIC table was never reconciled (see below) and, therefore, contained invalid UIC data. Navy management, therefore, was not provided useful financial management information.

UIC Impact on Management Systems

The Navy relies on data provided from multiple management information systems. Reliability and accuracy of this data is often dependent on accurate UIC data. We identified two management information systems that rely on accurate and complete UIC data: (1) STARS/FL, and (2) TFMMS.

⁶ An invalid UIC means that the UIC has been disestablished (inactive) or it was not found on the DFAS Master UIC table.

⁷ Ibid.

STARS/FL. STARS/FL is the system DFAS/CL used to process financial transactions for the Navy. There is a Navy UIC table in STARS/FL, and the UIC data is used when processing financial transactions. The Navy's UIC table in STARS/FL, as of 20 May 2009, did not have accurate UIC data. There were a total of 38,550 UICs on the STARS/FL UIC table. We compared the UIC table in STARS/FL to the DFAS 17 April 2009 master UIC database and found 7,734 disestablished UICs and 14,447 UICs not found on the DFAS master UIC database. When a UIC is not found on the DFAS master UIC database, this means DFAS has no record of the UIC ever being established for the Navy. These UIC can also contribute to UMDs and inaccurate UIC data in LOAs. When we asked DFAS about the discrepancies and why they exist, DFAS/CL senior management stated that the UIC database in STARS/FL has never been purged since STARS/FL inception and that they do not systematically purge disestablished UICs.

TFMMS. TFMMS contains manpower UICs. The UIC table in TFMMS, as of 24 April 2009, did not have accurate UIC data. We compared the TFMMS database to the 17 April 2009 DFAS master UIC database and found 1,315 disestablished UICs and 501 UICs that were not found on the DFAS master UIC database. When a UIC is not found on the DFAS master UIC database, this means DFAS has no record of the UIC ever being established for the Navy. When we asked the Navy's Manpower BSO personnel about the discrepancies we found, they stated that they were aware that the UIC data in TFMMS database needed to be cleaned up and that they were in the process of doing so.

Recommendations and Corrective Actions

OASN FM&C directs and manages the financial activities of the Department of the Navy by overseeing the management of the annual budget processes. The BSOs are responsible for preparation, compilation, and submission of budget estimates and supporting material that are provided to the Office of Financial Management and Budget (FMB) (a primary division of OASN FM&C). Prior to 1992, the OASN, through the Comptroller of the Navy, was responsible for the assignment of UICs. The BSOs review and submit information to establish and modify UICs and report to FM&C through the chain of command. Therefore, most of the audit recommendations are directed to FM&C. The recommendations, along with summarized management responses and our comments on the responses, are presented below. The complete management responses are in the Appendixes.

We recommend that OASN (FM&C):

Recommendation 1. Assume the responsibility and authority, in coordination with other organizations currently involved in the UIC process, for managing all Navy UICs.

OASN (FM&C) response to Recommendation 1. Concur in principle. OASN (FM&C) will take the lead and conduct a study addressing UIC/DODAAC management. Upon completion of this study, roles and responsibilities for actual UIC/DODAAC management will be delegated as appropriate. OASN (FM&C) will expect full participation from OASN (Research, Development, and Acquisition) (RD&A), CNO, Commandant of the Marine Corps, and the Department of the Navy/Assistant for Administration during this study and thereafter for implementation. The expected start date is 1 October 2010.⁸

Recommendation 2. Develop and issue a single Department of the Navy instruction setting policy, defining responsibilities, and providing guidance to the BSOs to standardize the UIC management process. The guidance should provide details for submitting a Navy UIC and outline the process and steps needed to complete the establishment, modification and disestablishment of UICs, and the periodic reconciliation of information systems using UIC data, at specified intervals to ensure the UIC data is accurate and up to-date.

OASN (FM&C) response to Recommendation 2. Concur in principle. OASN (FM&C) agrees there needs to be a single Department of the Navy instruction for managing the Department organizational structure and resulting UICs/DODAACs. We concur that Office of the Chief of Naval Operations Instructions 5400.44 and 1000.16K and NAVSO P1000-2-5 need to be standardized. OASN (FM&C) will take responsibility for writing a SECNAV Instruction addressing UIC/DODAAC management, including related internal controls for the Department of the Navy. Full participation is expected from OASN (RD&A), CNO, Commandant of the Marine Corps, and Department of the Navy/Assistant for Administration, as appropriate. Expected completion date is 31 March 2011.

Recommendation 3. Immediately conduct a one-time reconciliation of the official UIC table between DFAS and the Navy BSOs to identify and correct discrepancies, and establish policy requiring recurring reconciliations at a specified interval, such as quarterly.

OASN (FM&C) response to Recommendation 3. Concur in principle. Nonconcur on the timing and defer comment on the action officer.

⁸ In their response package, OASN (FM&C) provided a target completion date of 31 January 2011 for this review.

OASN (FM&C) agrees that the existing UIC table needs to be reconciled. However, the SECNAV Instruction identified in Recommendation 2 and the internal controls identified in Recommendation 8 need to be put in place before conducting this one time reconciliation. Otherwise, the reconciliation will not be sustainable. The “who and how” to conduct this reconciliation will to be worked out based on the results of the process review and any subsequent process improvements/staffing reassignments. Expected completion date is 30 June 2011 (approximately 3 months after completion of SECNAV Instruction).

Naval Audit Service comment on responses to Recommendations 1, 2, and 3. The OASN (FM&C) planned actions to complete a review of UIC/DODAAC management processes and issue a new SECNAV Instruction that delineates roles, responsibilities, processes, and internal controls for UICs/DODAACs initially meet the intent of the recommendation. We will evaluate the results of the review and the provisions of the SECNAV Instruction to determine if the intent of the recommendations were fully met.

Recommendation 4. Coordinate with DFAS to reconcile and correct discrepancies between STARS/FL and the Navy table.

OASN (FM&C) response to Recommendation 4. Concur. As the Department of the Navy’s DFAS liaison, it is our responsibility to ensure that DFAS Financial Management systems, such as STARS/FL, use the correct data table. Estimated completion date is 31 January 2011.

Naval Audit Service comment on response to Recommendation 4. The FM&C planned action to correct and reconcile STARS/FL with the UIC master database and correct issues with the One-Pay system meets the intent of the recommendation.

Recommendation 5. Identify other Navy systems (such as TFMMS) using UICs, determine if the systems are affected by inaccurate UIC data, and take action to ensure the data is corrected and kept accurate.

OASN (FM&C) response to Recommendation 5. Partially concur. OASN (FM&C) will ensure that UIC data is corrected, consolidated, and kept accurate in a master UIC table, as stated in Recommendation 3. However, OASN (FM&C) does not have cognizance or control of non-financial management systems or the quality of UIC data outside of the master UIC table.

Naval Audit Service comment on response to Recommendation 5. The FM&C planned action to ensure that UIC data is corrected, consolidated, and kept accurate in a master UIC table should ensure other management systems

are provided accurate UIC data. This action meets the intent of the recommendation. We consider the recommendation to be open pending completion of the reconciliation (tentatively scheduled for 30 June 2011) discussed in Recommendation 3.

Recommendation 6. Develop and deliver online training for Navy commands that explains how to establish, modify, and disestablish UICs.

OASN (FM&C) response to Recommendation 6. Concur in principle. However, the organizational lead is still to be determined and may not be financially feasible or necessary. This is an idea worth considering, but should be decided/developed by the organization(s) selected to oversee UIC/DODAAC establishment per our response to Recommendation 1. Further, developing online training will take time and cost money which may not be cost beneficial. Regardless, any training would occur after the issuance of the new SECNAV Instruction identified in Recommendation 2. Therefore, expected completion date of a paper-based training guide would be estimated at 31 August 2011; online training, if feasible, would be longer.⁹

Recommendation 7. Establish controls and oversight procedures to ensure that the actions noted in the above recommendations are taken.

OASN (FM&C) response to Recommendation 7. Concur in principle. OASN (FM&C) will assist in establishing controls and oversight procedures as part of the SECNAV Instruction mentioned in our response to Recommendation 2. Further, as the manager of the Department of the Navy's Managers' Internal Control Program, OASN (FM&C) will follow up to ensure that the UIC process is indicated as an assessable unit for the appropriate UIC process owner. Expected completion date is 31 March 2011.

Naval Audit Service comment on responses to Recommendations 6 and 7. The OASN (FM&C) planned actions to complete a review of UIC/DODAAC management processes and issue a new SECNAV Instruction that delineates roles, responsibilities, processes, and internal controls for UICs/DODAACs initially meets the intent of the recommendation. We will evaluate the results of the review and the provisions of the SECNAV Instruction to determine if the intent of the recommendations were fully met.

Recommendation 8. Coordinate with DFAS to correct the programming error (data being pulled from the wrong data field) within the OnePay System.

⁹ In their response package, OASN (FM&C) provided a target completion date of 30 September 2012 for implementation computer-based training, if such training is feasible.

OASN (FM&C) response to Recommendation 8. Concur. As the Department of the Navy's DFAS liaison, it is our responsibility to ensure DFAS Financial Management systems, such as ONE PAY use the correct data. OASN (FM&C) will coordinate with DFAS to investigate and make corrections if necessary. Expected completion date is 31 January 2011.

Naval Audit Service comment on response to Recommendation 8. The FM&C planned action to correct and reconcile STARS/FL with the UIC master database (as discussed in Recommendation 4) and correct issues with the One-Pay system meets the intent of the recommendation.

We recommend that AAUSN:

Recommendation 9. Disable the outdated URL linking to the incorrect official UIC table.

AAUSN response to Recommendation 9. Concur. Department of the Navy/Assistant for Administration concurs with Recommendation 9, that the outdated URL which linked to the incorrect official Unit Identification Code table be disabled. That link was disabled in November 2009, during the course of the audit.

Naval Audit Service response to Recommendation 9. The AAUSN action to disable the outdated URL link met the intent of the recommendation.

Finding 2: Assigning Activity Address Codes

Synopsis

DoD Activity Address Codes (DODAACs) authority codes for Navy activities were not entered correctly into the Defense Automated Addressing System (DAAS). We identified 892 Navy commands that were incorrectly identified in DAAS as having requisitioning authority, which was contrary to the commands' UIC purpose code. Navy commands are identified by a six-position code -- a DODAAC -- with an assigned authority code. The authority code denotes whether a command is authorized to requisition material. The authority code should be in agreement with the UIC purpose code, which also denotes if an activity is authorized to requisition material and services. The Defense Logistics Management System Manual, DoD 4000.25-M, states that authority codes have been established to restrict requisitioning; shipment, and billing by DODAAC. The 892 inaccuracies existed because DFAS did not assign the correct authority codes, and BSOs did not review or update authority codes to ensure agreement with the UIC purpose code. Government material is exposed to potential abuse and waste when commands can requisition material without proper authority. We determined that Navy commands with improper authority codes completed 3.4 million potentially unauthorized requisitioning transactions, valued at about \$230 million, from April 2007 to April 2009. One command accounted for 42 percent of the requisitions and 88 percent of the requisition cost.

Discussion of Details

Background and Pertinent Guidance

The Navy Comptroller Manual, NAVSO P1000-2-5, provides that requests for UIC assignment should identify the full name and mailing address of each organizational entity for which UIC assignment is required, and the purpose(s) for which the UIC will be employed. Purpose codes are assigned to every UIC when established based on meeting one or more code definitions. See Exhibit D for all purpose codes and code definitions. UICs that are assigned purpose codes D, S, or M are UICs that can be used for requisitioning, billing, and shipping purposes and are included in the DoD Activity Address Directory (DODAAD). UIC assignment requests for these purposes should be accompanied by a request for DODAAC assignment. Request for assignment, cancellation, or change should be submitted to DFAS/CL.

Table 5. Definitions of Requisitioning and Logistical Purpose Codes

| Purpose Code | Definition |
|--------------|---|
| D | A component or subordinate UIC established to facilitate shipment or mailing of National Imagery and Mapping Agency (formerly Defense Mapping Agency) products or Naval Inventory Control Point (formerly ASO) Cog "I" materials. Should have a DODAAC authority code of 06 |
| S | Shipping. UICs that are added to the DODAAD DoD 4000.25-M Volume 6 for shipping purposes only. Can only be used as a ship-to address with no other implicit authority. Should have a DODAAC authority code of 01 |
| M | Material requisitioning. An activity authorized to perform its own material requisitioning. Should have a DODAAC authority code of 00 |

DoD 4000.25-M Volume 6, Change 5, Chapter 2, "Defense Logistics Management System Manual." This is the authoritative guidance that describes the processes and relationships regarding DODAACs and authority codes as summarized:

- The DODAAC is a six-position code that uniquely identifies a unit, activity, or organization that receives, ships, and/or has custody of Government property on a regular basis. The first position designates the particular service/agency element of ownership.
- The authority code is assigned to the DODAAC and is established to restrict requisitioning, shipment, and billing by DODAACs. There are eight authority codes (one of which is "00" -- authorized to initiate a requisition, ship-to, and bill-to), and an authority code of "01" can only be used as a ship-to address with no other implicit authority -- it is not authorized to requisition or bill-to.
- DAAS is the official database that contains the DODAAD. The DODAAC is included in the DODAAD. The DODAAC identifies activity authorizations for requisitioning, billing, and shipping purposes.
- Defense Automated Addressing System Center (DAASC) will assign authority code "00" (full authority to requisition, ship-to and bill-to) to all DODAACs unless a more restrictive code is provided.
- The Central Service Point will update DODAAC authority codes as appropriate, and will assign authority codes to all new DODAACs.

Audit Results

Use of DODAAC to Requisition Government Material

DODAAC authority codes for Navy activities were not correctly entered into the DAAS by DFAS. To determine the appropriateness and accuracy of the DODAAC authority codes, we first identified 980 UICs from the NAVAUDSVC April 2009 BSO data call (as discussed in Finding 1) that were assigned shipping-only purpose codes. We then compared the 980 UICs to the DAAS database and determined 892, or 91 percent, of the UICs were assigned an authority code authorized to requisition, ship-to, and bill-to material and services that was contrary to the UIC purpose code. Based on our analysis of 50 UICs (see below), the BSO assigned the DODAAC an S purpose code (shipping purposes only); however, in DAAS, they were input as “00” with full requisitioning authority, rather than “01” (ship-to only).

Reasons for Incorrect DODAAC Requisitioning Authority

We determined this condition occurred because Navy BSOs did not reconcile or review authority code data in DAAS. In addition, based on an analysis of 50 UICs, DFAS did not correctly enter authority code data provided by BSOs for any of the activities.

DFAS

DFAS is designated as the Navy’s Central Service Point and is responsible for assigning and updating DODAACs based on inputs received from BSOs. The DFAS annual UIC/DODAAC data call required the BSO to verify and update all UIC and DODAAC records for their subordinate commands.

To determine if DODAAC assignment data in DAAS was entered in accordance with the BSO requests, we compared the supporting documentation submitted by the BSOs to what was entered in DAAS. We judgmentally selected a sample of 50 UICs established from 2005 through 2009 that were assigned purpose code S (shipping purposes only) from the DFAS master UIC database of June 2009.¹⁰ We reviewed the corresponding BSOs’ DODAAC assignment request and noted the request included the authority code of “01” (ship-to only). However, no authority code was entered by DFAS to the 50 DODAACs, so the DAAS defaulted to the authority code “00” (full authority to requisition) in DAAS, which was contrary to what the BSOs submitted. When DFAS entered the information into DAAS, they did not note that it was for shipping purposes only. If no authority code is entered, the system defaults to “full authority to requisition” (“00”).

¹⁰ There were 66 UICs established during 2005 through 2009 that were for shipping purposes only. These 66 UICs were placed in UIC order (numeric order), and the first 50 were chosen for review.

BSOs

Per the DFAS annual data call procedures, BSOs are responsible for ensuring that DODAACs in DAAS are accurate and complete. It is their responsibility to periodically review and update the DODAAC data by requesting DFAS to make any necessary updates or changes. However, DFAS does not have authority over Navy commands and cannot direct or require them to respond to a DFAS UIC data call. We contacted representatives from the four BSOs with the largest number of requisitioning transactions (see Table below on Unsupported Requisitioning Transactions) to determine if reconciliations were conducted to ensure the accuracy of DAAS authority codes. The BSOs responded they did not know that the DODAAC was assigned full requisitioning authority code in DAAS. Further, the BSOs did not conduct reconciliations to ensure authority codes were entered in DAAS correctly. We determined the Navy did not have specific guidance that detailed how to submit a DODAAC request, or perform periodic reconciliations of the purpose codes and authority codes, or outline the process and steps needed to complete the establishment, modification, and disestablishment of DODAACs.

Unsupported DODAAC Requisitioning

Based on information provided by the Defense Logistics Agency, during the 2-year period from April 2007 through April 2009, 611, or about 69 percent, of the 892 UICs (see above) completed about 3.4 million requisitioning transactions valued at \$230 million. One command accounted for 42 percent of the requisitions and 88 percent of the requisition cost. The UICs were not authorized to requisition material based on the UICs purpose code. We determined 4 commands placed about 48 percent of the total requisitions valued at about \$216 million. The following table summarizes the requisitioning activity of the four commands:

Table 6. Unsupported Requisitioning Transactions

| BSO | DODAAC | Activity Name | No. of Requisitions | No. of Requisitions Percent of Total | Requisition Cost | Requisition Cost Percent of Total |
|--------------|--------|---|---------------------|--------------------------------------|----------------------|-----------------------------------|
| 00070 | N55660 | Marine Aviation Logistics Squadron | 1,447,039 | 42% | \$203,273,741 | 88% |
| 00383 | N4507A | Boeing Company FA18 Mini Stock Point | 66,617 | 2% | \$7,016,113 | 3% |
| 00018 | N46246 | Medical Treatment Facility USNS Comfort | 54,304 | 2% | \$3,665,617 | 2% |
| 00023 | N49163 | Naval Aviation Depot Hazardous Material NAS Norfolk | 59,880 | 2% | \$2,011,075 | 1% |
| Total | | | 1,627,840 | 48% | \$215,966,546 | 94% |

We determined that these items were aviation parts, such as a compressor dehydrator, receiver transmitter radio, receiver radio navigation, and data acquisition unit; along with medical items, such as cellulose-oxidized regenerated, suture absorbable surgical, suture nonabsorbable surgical, and screw bone maxillofacial surge. We did not determine whether the items were for a valid requirement because we could not determine what activity ultimately received the item. Government material is exposed to potential abuse and waste when commands can requisition material without proper authority.

Recommendations and Corrective Actions

Our recommendations, along with summarized management responses and our comments on the responses, are presented below. The complete management responses are in the Appendixes.

We recommend that OASN (FM&C):

Recommendation 10. Coordinate with DFAS to review and correct the authority codes in DAAS for the 611 DODAACs and inform the activities involved that they are not authorized to make requisitions and should immediately stop doing so.

OASN (FM&C) response to Recommendation 10. Concur in principle. The existing authority codes need to be reviewed and updated in DAAS as applicable.

However, the SECNAV Instruction identified in Recommendation 2 and the internal controls identified in Recommendation 8 needs to be put in place before conducting this one-time reconciliation. Otherwise, the reconciliation will not be sustainable. The “who and how” to conduct this reconciliation will need to be worked out based on the results of the process review and any subsequent process improvements/staffing reassignments. Expected completion date is 30 June 2011 (approximately 3 months after completion of SECNAV Instruction).

Recommendation 11. Require the BSOs to perform a one-time validation of DODAAC assigned authority codes in DAAS and coordinate with DFAS to make required changes.

OASN (FM&C) response to Recommendation 11. Concur in principle. However, the SECNAV Instruction identified in Recommendations 2 and 10, and the internal controls identified in Recommendation 8, need to be put in place before conducting this one-time reconciliation. Otherwise, the reconciliation will not be sustainable. The “who and how” to conduct this reconciliation will need to be worked out based on the results of the process review and any subsequent process improvement staffing reassignments. Expected completion date is 30 June 2011 (approximately 3 months after completion of SECNAV Instruction).

Recommendation 12. Establish guidance requiring BSOs to periodically at a specified interval, such as quarterly, validate the authority codes in DAAS to ensure the codes are in agreement with the UIC purpose codes.

OASN (FM&C) response to Recommendation 12. Concur in principle. However, management of authority codes in DAAS has historically been an Acquisition/Logistics function. Therefore, OASN (FM&C) will coordinate with OASN (RD&A) and include validation of authority codes in the SECNAV Instruction mentioned in our response to Recommendation 2. Target completion date is 31 March 2011.

Recommendation 13. Develop and issue detailed official instructions to the BSOs for submitting a Navy DODAAC request, and outline the process and steps needed to complete the establishment, modification, and disestablishment of DODAACs and to require periodic validation of authority codes.

OASN (FM&C) response to Recommendation 13. Concur in principle. However, DODAAC management historically has been an Acquisition/Logistics function. Therefore, OASN (FM&C) will coordinate with OASN (RD&A) and include in the SECNAV Instruction mentioned in our response to Recommendation 2. Target completion date is 31 March 2011.

Naval Audit Service comment on responses to Recommendations 10 through 13. The OASN (FM&C) must complete the review of the UIC/DODAAC management processes and issue a new SECNAV Instruction before guidance regarding DODAAC authority processes, reviews, and validations can be completed. Therefore, we will evaluate the results of the FM&C review and SECNAV Instruction once issued to determine if the intent of the recommendations were fully met. Regarding Recommendation 10, in separate communication, DFAS informed us that they are in the process of reviewing the 611 DODAACS. The DODAAC/authority codes cannot be immediately changed since there may be requisitions in the pipeline and to do so would cause problems. However, DFAS noted that they plan to contact each of the applicable BSOs to determine whether the purpose code and subsequent authority codes should be changed or the DODAAC deleted.

Section B:

Status of Recommendations

| Finding ¹¹ | Rec. No. | Page No. | Subject | Status ¹² | Action Command | Target or Actual Completion Date | Interim Target Completion Date ¹³ |
|-----------------------|----------|----------|--|----------------------|----------------|----------------------------------|--|
| 1 | 1 | 16 | Assume the responsibility and authority, in coordination with other organizations currently involved in the UIC process, for managing all Navy UICs. | O | OASN (FM&C) | 1/31/11 | |
| 1 | 2 | 16 | Develop and issue a single Department of the Navy instruction setting policy, defining responsibilities, and providing guidance to the BSOs to standardize the UIC management process. The guidance should provide details for submitting a Navy UIC and outline the process and steps needed to complete the establishment, modification and disestablishment of UICs, and the periodic reconciliation of information systems using UIC data, at specified intervals to ensure the UIC data is accurate and up to-date. | O | OASN (FM&C) | 3/31/11 | |
| 1 | 3 | 16 | Immediately conduct a one-time reconciliation of the official UIC table between DFAS and the Navy BSOs to identify and correct discrepancies, and establish policy requiring recurring reconciliations at a specified interval, such as quarterly. | O | OASN (FM&C) | 06/30/11 | |
| 1 | 4 | 17 | Coordinate with DFAS to reconcile and correct discrepancies between STARS/FL and the Navy table. | O | OASN (FM&C) | 01/31/11 | |
| 1 | 5 | 17 | Identify other Navy systems (such as TFMMS) using UICs, determine if the systems are affected by inaccurate UIC data, and take action to ensure the data is corrected and kept accurate. | O | OASN (FM&C) | 06/30/11 | |

¹¹ / + = Indicates repeat finding.

¹² / O = Recommendation is open with agreed-to corrective actions; C = Recommendation is closed with all action completed; U = Recommendation is undecided with resolution efforts in progress.

¹³ If applicable.

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SECTION B: STATUS OF RECOMMENDATIONS

| Finding ¹¹ | Rec. No. | Page No. | Subject | Status ¹² | Action Command | Target or Actual Completion Date | Interim Target Completion Date ¹³ |
|-----------------------|----------|----------|---|----------------------|----------------|----------------------------------|--|
| 1 | 6 | 18 | Develop and deliver online training for Navy commands that explains how to establish, modify, and disestablish UICs. | O | OASN (FM&C) | 9/30/12 | 08/31/11 |
| 1 | 7 | 18 | Establish controls and oversight procedures to ensure that the actions noted in the above recommendations are taken. | O | OASN (FM&C) | 03/31/11 | |
| 1 | 8 | 18 | Coordinate with DFAS to correct the programming error (data being pulled from the wrong data field) within the OnePay System. | O | OASN (FM&C) | 01/31/11 | |
| 1 | 9 | 19 | Disable the outdated URL linking to the incorrect official UIC table. | C | AAUSN | 11/30/09 | |
| 2 | 10 | 24 | Coordinate with DFAS to review and correct the authority codes in DAAS for the 611 DODAACs and inform the activities involved that they are not authorized to make requisitions and should immediately stop doing so. | O | OASN (FM&C) | 06/30/11 | |
| 2 | 11 | 25 | Require the BSOs to perform a one-time validation of DODAAC assigned authority codes in DAAS and coordinate with DFAS to make required changes. | O | OASN (FM&C) | 06/30/11 | |
| 2 | 12 | 25 | Establish guidance requiring BSOs to periodically at a specified interval, such as quarterly, validate the authority codes in DAAS to ensure the codes are in agreement with the UIC purpose codes. | O | OASN (FM&C) | 03/31/11 | |
| 2 | 13 | 25 | Develop and issue detailed official instructions to the BSOs for submitting a Navy DODAAC request, and outline the process and steps needed to complete the establishment, modification, and disestablishment of DODAACs and to require periodic validation of authority codes. | O | OASN (FM&C) | 03/31/11 | |

Exhibit A:

Background

The primary responsibility for the assignment of Unit Identification Codes (UICs) was delegated by the Comptroller of the Navy to the Director, Defense Finance and Accounting Service-Cleveland (DFAS/CL), Reporting Operations Branch (code JAFBA). The Navy is the only service using DFAS to maintain UICs. The UIC is a five-character alpha-numeric code used to identify organizational entities within the Department of the Navy. All Navy activities must have a UIC for manpower and budgetary reasons. The Navy Comptroller Manual, NAVSO P1000-2-5, is the authoritative source for Navy UICs (the official UIC table). In March 2009, 28,012 UICs were listed on the official UIC table. The UIC table can be accessed and downloaded from the Assistant for Administration for the Under Secretary of the Navy (AAUSN) Web site at <https://www.navsopubs.donhq.navy.mil/uic/>.

DFAS maintains a master UIC database that includes all UICs and Department of Defense Activity Address Codes (DODAACs) for the Navy -- active and disestablished. The database includes the UIC, purpose code, name, location, major command, and established and disestablished dates. DFAS updates their master UIC database as Budget Submitting Offices (BSOs) submit written requests to establish, modify, or disestablish a UIC. DFAS/CL forwards changes submitted by the Navy weekly to the AAUSN to update the official UIC table on the AAUSN Web site.

The DODAAC is an integral part of the Department of Defense Material Management Policy. The Navy UIC and DODAAC number assigned to a unit is never reissued and becomes a part of U.S. Navy history. A weekly update of currently active information is provided to the Secretary of the Navy and is periodically republished on the Secretary of the Navy Web site. Currently active DODAAC information can be viewed by accessing the Department of Defense Activity Address Directory (DODAAD) on the Defense Automated Addressing Center Web site.

Exhibit B:

Scope and Methodology

We conducted the audit of Management of Navy Unit Identification Codes (UICs) between 14 April 2009 and 20 August 2010. We evaluated internal controls and reviewed compliance with applicable Department of Defense (DoD) and Department of the Navy regulations, instructions, and policies related to the management of UICs. This audit was initiated based on Risk Assessment inputs submitted by the Director of the Navy Staff in Fiscal Years 2007 and 2008. As part of our audit, we reviewed the Director of Navy Staff ethics program.

The management of Navy UICs includes writing comprehensive UIC guidance, coordinating Budget Submitting Office (BSO) UIC submissions, reconciling and resolving UIC errors, and establishing processes to ensure UIC data is complete and accurate.

We evaluated the policies and procedures relative to the management of UICs in effect from April 2007 through 16 June 2009. We interviewed senior management and responsible personnel at the commands that were engaged in aspects of UIC management. This included the Office of the Assistant Secretary of the Navy Financial Management and Comptroller (OASN (FM&C)); Director Navy Staff (DNS); Defense Finance and Accounting Service-Cleveland, (DFAS/CL); Administrative Assistant for the Under Secretary of the Navy (AAUSN); and BSOs. We reviewed the written instructions, policies, and procedures to determine if they were clear and sufficiently identified the roles and responsibilities for DFAS, the BSOs, and AAUSN relative to the establishment, modification, and disestablishment of Navy UICs.

We determined the accuracy and completeness of the UIC databases by conducting a data call for the 22 Navy BSOs as of April 2009. We coordinated with the Naval Audit Service data mining team to compare the BSOs UIC data submissions to the DFAS Master UIC database of 16 June 2009 to identify any differences. We evaluated the differences to determine the significance and causes.

To determine the impact of inaccurate UIC data, we obtained financial data from DFAS/CL that included unmatched disbursement transactions and financial reports that were adversely impacted by inaccurate UIC data, and we evaluated the effects on E-Commerce reporting. We used data mining techniques to identify the transactions in the file that had invalid UIC data.

The Department of Defense Activity Address Code (DODAAC) requisitioning authority was compared to the UIC purpose codes that were not authorized to requisition material for agreement. We identified UICs that were not authorized to requisition material but

requisitioned material based on the DODAAC authority code. Data was provided by the Defense Logistics Agency that identified the value of unauthorized requisitions completed by Navy activities from April 2007 to April 2009. We contacted management at four BSOs to determine causes and awareness of the problem.

This audit was the first time the Naval Audit Service reviewed the management of Navy UICs. Therefore, normal followup procedures were not applicable.

We obtained computer generated data from DFAS and the Defense Logistics Agency to use as background and to provide examples of possible effects. The data was provided from sources separate from the Navy and did not affect the recommendations. Therefore, we did not test the reliability of the data. The Navy official UIC table was tested through a data call and a comparison to other UIC databases. We evaluated exceptions to determine the impact on data reliability. We concluded the data in the official Navy UIC table was not reliable and made recommendations to improve processes and data reliability.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We feel that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Exhibit C:

Activities Visited and/or Contacted

Office of the Assistant Secretary of the Navy (FM&C)*-Washington, DC
Director, Navy Staff*- Washington, DC
Director, Total Force Requirements Division (N12) – Washington, DC
Director, Defense Finance & Accounting Service, Cleveland* - Cleveland, OH
Assistant for Administration Under Secretary of Navy* - Washington, DC
Central Operating Activity, Bureau of Naval Personnel – Washington, DC
Chief of Naval Operations – Washington, DC
Office of Naval Research – Arlington, VA
Office of Naval Intelligence – Washington, DC
Bureau of Medicine and Surgery – Washington, DC
Naval Air Systems Command – Patuxent River, MD
Bureau of Personnel – Millington, TN
Naval Supply Systems Command – Mechanicsburg, PA
Naval Sea Systems Command – Washington, DC
Naval Facilities Engineering Command – Washington, DC
Headquarters, Marine Corps – Washington, DC
Strategic Systems Program – Arlington, VA
Military Sealift Command – Washington, DC
Naval Space and Warfare Systems Command – San Diego, CA
Command, Naval Installations Command* - Washington, DC
Commander, Fleet Forces Command* - Norfolk, VA
Commander, Pacific Fleet Command – Pearl Harbor, HI
Naval Reserve Forces Command* - Norfolk, VA
Naval Special Warfare Command – San Diego, CA
Navy Inventory Control Point Mechanicsburg, PA
Navy Inventory Control Point - Philadelphia, PA
Defense Logistics Agency, Dayton, OH

*Activities visited

Exhibit D:**Unit Identification Code Purpose Codes**

| Purpose Code | Definition |
|--------------|---|
| C | Contract and Other Procurement Instrument Preparation. These Unit Identification Codes (UICs) will be used in connection with issues of property to contractor's plant. Accounting for such property is prescribed in the Defense Acquisitions regulation. |
| D | A component or subordinate UIC established to facilitate shipment or mailing of National Imagery and Mapping Agency (formerly Defense Mapping Agency) products or Naval Inventory Control Point (formerly Aviation Supply Office) Cog "I" materials. |
| F | Financial Accounting. An activity that performs its own accounting or has accounting performed for it for one or more of the following areas: fund authorization (expense operating budget level, Navy Industrial Fund or Researched, Development, Test and Evaluation) plant property, civilian payroll financial inventory reports (Navy Stock Account) financial inventory reports (Appropriation Purchases Account), and UIC assignments. |
| J | JUMPS. Joint Uniform Military Pay Systems (JUMPS)/Manpower and Personnel Training Information System (MAPTIS). UICs are assigned to activities for the purpose of identifying transactions for military personnel accounting under JUMPS and MAPTIS. |
| S | Shipping. UICs that are added to the Department of Defense (DoD) Activity Address Directory (DODAAD) DoD 4000.25-6-M for shipping purposes only. |
| M | Material requisitioning. An activity authorized to perform its own material requisitioning. |
| N | Navy Cost Information System/Future Years Defense Program (FYDP). Note: The Navy Cost Information System uses the UIC with purpose codes F, J, M and Z, but may require other UIC numbers in order to properly allocate planning and programming information and final transactions to the specific program elements of the FYDP. These UICs are used at the departmental level, unless a departmental organization requires their use at the allotment level. |
| T | Training Activities. UICs are assigned to identify institutions, other Government agencies, or contractors which provide training. These UICs are used in the Navy Training Requirements and Information Management System. |
| Z | Other Administrative or Operational Uses. UICs are assigned for purposes of identification of special reports and disbursing returns and contracts, for reporting cost data relating to maintenance of plant property, and for other special uses. Neither plant account nor regular stores returns are prepared by or for these UICs. Also, ships and ship groups under Security Assistance Program and Military Assistance Sales Transactions accounting documents citing Naval Sea Systems Command administered reimbursable subheads of the appropriation 17-161 1. |

Exhibit E:

Commands and Budget Submitting Offices

| # | UIC | Activity Name | Echelon |
|----|-------|---|---------|
| 1 | 00002 | Central Operating Activity Bureau of Naval Personnel | 3* |
| 2 | 00011 | Chief Naval Operations | 2 |
| 3 | 00012 | Assistant for Administration Under Secretary of the Navy Pentagon | 2 |
| 4 | 00014 | Chief of Naval Research | 2 |
| 5 | 00015 | Office of Naval Intelligence | 2 |
| 6 | 00018 | Bureau of Medicine and Surgery Navy Department | 2 |
| 7 | 00019 | Naval Air Systems Command Headquarters | 2 |
| 8 | 00022 | Chief of Naval Personnel | 2 |
| 9 | 00023 | Naval Supply Systems Command Headquarters | 2 |
| 10 | 00024 | Naval Sea Systems Command | 2 |
| 11 | 00025 | Naval Facilities Engineering Command Headquarters | 2 |
| 12 | 00027 | Marine Corps (Headquarters FD) | 2 |
| 13 | 00030 | Strategic Systems Programs | 2 |
| 14 | 00033 | Military Sealift Command Headquarters, Washington Navy Yard | 2 |
| 15 | 00039 | Space and Naval Warfare Systems Command | 2 |
| 16 | 00052 | Navy Installations Command | 2 |
| 17 | 00060 | U.S. Fleet Forces Command | 2 |
| 18 | 00070 | Commander U S Pacific Fleet | 2 |
| 19 | 00072 | Commander Naval Reserve Force | 2 |
| 20 | 00074 | Naval Special Warfare Command Naval Amphibious Base Coronado | 2 |
| 21 | 00104 | Naval Inventory Control Point Mechanicsburg | 3* |
| 22 | 00383 | Naval Inventory Control Point Philadelphia | 3* |

*Central Operating Activity, Naval Inventory Control Point Mechanicsburg and Philadelphia are not Budget Submitting Offices but were designated to function as a Budget Submitting Office to administratively manage the Unit Identification Codes under their purview.

Exhibit F:**Glossary**

| | |
|-----------------|--|
| Authority Codes | Codes in DAAS that restrict requisitioning, shipment, and billing by DODAAC |
| BSO | Budget Submitting Office. Department of the Navy component that is responsible for preparation, compilation, and submission of budget material. |
| DAAS | Defense Automated Addressing System. |
| DAASC | Defense Automated Addressing System Center. The Defense Logistics Agency activity designated as the central control point for processing address data received from all military services and agencies into the DODAAD. |
| DFAS/CL | Defense Finance and Accounting Service, Cleveland |
| DoD | Department of Defense |
| DODAAC | Department of Defense Activity Address Code. A six-position alpha-numeric code which identifies a specific activity or account authorized to requisition or receive material. |
| DODAAD | Department of Defense Activity Address Directory. A file of DODAACs and corresponding organization address and related address data. |
| DNS | Director, Navy Staff |
| LOA | Line of Accounting |
| Purpose Codes | Assigned to every UIC when established based on meeting one or more code definitions. |
| STARS/FL | Standard Accounting Reporting System, Field Level. System used to process financial transactions for the Navy. |
| TFMMS | Total Force Manpower Management System. The Navy's single, authoritative database for total force manpower requirements and active duty Military Personnel Navy/Reserve Personnel Navy manpower authorizations and end strength. |
| UMD | Unmatched Disbursements. A UMD occurs when an invoice is paid by DFAS and does not match an obligation when it is posted to STARS. |
| UIC | Unit Identification Code. The five-digit code used to identify organizations or units within DON. |

Appendix 1:

Management Response From Office of the Assistant Secretary of the Navy (Financial Management and Comptroller)



THE ASSISTANT SECRETARY OF THE NAVY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

5000
Ser ASN(FM&C)/U185
5 Oct 10

From: Assistant Secretary of the Navy (Financial Management and Comptroller)
To: Auditor General of the Navy
Subj: MANAGEMENT OF NAVY UNIT IDENTIFICATION CODES (DRAFT AUDIT REPORT N2009-NMC000-0059)
Ref: (a) NAVAUDSVC memo Ser 7510; N2009-NMC000-0059 of 20 Aug 2010
Encl: (1) OASN(FM&C) Response

1. By reference (a), you requested that the subject draft audit be reviewed and that comments be provided on multiple recommendations. Enclosure (1) provides those comments.

2. My point of contact for this action is [REDACTED] at [REDACTED] or by email at [REDACTED]

[REDACTED]

Copy to:
ASSTSECNAV RD&A
DON/AA
CNO
CMC

FOIA (b)(6)

FOIA (b)(6)

Office of the Assistant Secretary of the Navy
(Financial Management and Comptroller) (OASN(FM&C)) Response to
the Naval Audit Service Discussion Draft on
Management of Navy Unit Identification Codes (UICs)

Summary: The Office of the Assistant Secretary of the Navy (Financial Management and Comptroller (OASN(FM&C))) agrees in principle with the findings and recommendations of the Naval Audit Service in the draft report. OASN(FM&C) agrees to lead a complete review of Unit Identification Codes (UIC)/Department of Defense Activity Address Codes (DoDAAC) management. Organizational responsibility and internal controls for UIC/DoDAAC management will be an outcome of that review.

Note: Our target start time for this review is 1 Oct 2010. OASN(FM&C) estimates it will take six months to conduct this review and develop implementation guidance. One-time events such as UIC/DoDAAC clean up and online instructional tutorials will have to follow completion of new guidance and/or implementation of internal controls.

The following comments are provided:

Recommendation 1. OASN(FM&C) assume responsibility and authority, in coordination with other organizations currently involved in the UIC process, for managing all Navy UICs.

OASN(FM&C) Response: Concur in principle. OASN(FM&C) will take the lead and conduct a study addressing UIC/DoDAAC management. Upon completion of this study, roles and responsibilities for actual UIC/DoDAAC management will be delegated as appropriate. OASN(FM&C) will expect full participation from Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition) (OASN(RD&A)), Chief of Naval Operations (CNO), Commandant of the Marine Corps (CMC), and the Department of the Navy (DON) Assistant for Administration (DON/AA) during this study and thereafter for implementation. The expected start date is 1 Oct 2010.

Recommendation 2. OASN(FM&C) develop and issue a single Department instruction setting policy defining responsibilities, and providing guidance to the Budget Submitting Offices (BSOs) to standardize the UIC management process. The guidance should provide details for submitting a Navy UIC and outline the process and steps needed to complete the establishment,

Enclosure (1)

Office of the Assistant Secretary of the Navy
(Financial Management and Comptroller)
Response to the Naval Audit Service Discussion Draft on
Management of Navy Unit Identification Codes (UICs)

modification and disestablishment of UICs, and the periodic reconciliation of information systems using UIC data, at specified intervals to ensure the UIC data is accurate and up-to-date.

OASN(FM&C) Response: Concur in principle. OASN(FM&C) agrees there needs to be a single DON instruction for managing the DON's organizational structure and resulting UICs/DoDAACs. We concur that OPNAVINST 5400.44 and 1000.16K and NAVSO P1000-2-5 need to be standardized. OASN(FM&C) will take responsibility for writing a SECNAVINST addressing UIC/DoDAAC management, including related internal controls for the DON. Full participation is expected from OASN(RD&A), CNO, CMC, and DON/AA, as appropriate. Expected completion date is 31 Mar 2011.

Recommendation 3. OASN(FM&C) immediately conduct a one-time reconciliation of the official UIC Table between the Defense Finance and Accounting Service (DFAS) and the Navy BSOs to identify and correct discrepancies, and establish policy requiring recurring reconciliations at a specified interval, such as quarterly.

OASN(FM&C) Response: Concur in principle. Non concur on the timing and defer comment on the action officer. OASN(FM&C) agrees that the existing UIC table needs to be reconciled. However, the SECNAVINST identified in Recommendation 2 and the internal controls identified in Recommendation 8 need to be put in place before conducting this one time reconciliation. Otherwise, the reconciliation will not be sustainable. The "who and how" to conduct this reconciliation will need to be worked out based on the results of the process review and any subsequent process improvements/staffing reassignments. Expected completion date is 30 Jun 2011 (approximately three months after completion of SECNAVINST).

Recommendation 4. OASN(FM&C) coordinate with DFAS to reconcile and correct discrepancies between the Standard Accounting and Reporting System - Field Level (STARS/FL) and the official Navy (UIC) Table.

OASN(FM&C) Response: Concur. As the DON's DFAS liaison, it is our responsibility to ensure that DFAS Financial Management systems, such as STARS/FL use the correct data tables. Estimated completion date is 31 Jan 2011.

Office of the Assistant Secretary of the Navy
(Financial Management and Comptroller)
Response to the Naval Audit Service Discussion Draft on
Management of Navy Unit Identification Codes (UICs)

Recommendation 5. OASN(FM&C) identify other Navy systems such as the Total Force Manpower Management System (TFMMS), using UICs, determine if the systems are affected by inaccurate data, and take action to ensure the data is corrected and kept accurate.

OASN(FM&C) Response: Partially Concur. OASN(FM&C) will ensure that UIC data is corrected, consolidated, and kept accurate in a master UIC table, as stated in Recommendation 3. However, OASN(FM&C) does not have cognizance or control of non-financial management systems or the quality of UIC data outside of the master UIC table.

Recommendation 6. OASN(FM&C) develop and deliver online training for Navy commands that explains how to establish, modify, and disestablish UICs.

OASN(FM&C) Response: Concur in principle. However, the organizational lead is still to be determined and may not be financially feasible or necessary.

This is an idea worth considering but should be decided/developed by the organization(s) selected to oversee UIC/DoDAAC establishment per our response to Recommendation 1. Further, developing online training will take time and cost money which may not be cost beneficial. Regardless, any training would occur after the issuance of the new SECNAVINST identified in Recommendation 2. Therefore, expected completion date of a paper based training guide would be estimated at 31 Aug 2011; online training, if feasible would be longer.

Recommendation 7. OASN(FM&C) establish controls and oversight procedures to ensure the actions noted in the above recommendations are taken.

OASN(FM&C) Response: Concur in principle. OASN(FM&C) will assist in establishing controls and oversight procedures as part of the SECNAVINST mentioned in our response to Recommendation 2. Further, as the manager of the DON's Managers' Internal Control Program, OASN(FM&C) will follow-up to ensure that the UIC process is indicated as an assessable unit for the appropriate UIC process owner. Expected completion date is 31 Mar 2011.

Office of the Assistant Secretary of the Navy
(Financial Management and Comptroller)
Response to the Naval Audit Service Discussion Draft on
Management of Navy Unit Identification Codes (UICs)

Recommendation 8. OASN(FM&C) coordinate with DFAS to correct the programming error (data being pulled from the wrong data field) within the ONEPAY system.

OASN(FM&C) Response: Concur. As the DON's DFAS liaison, it is our responsibility to ensure DFAS Financial Management systems, such as ONE PAY use the correct data. OASN(FM&C) will coordinate with DFAS to investigate and make corrections if necessary. Expected completion is date 31 Jan 2011.

Recommendation 10. OASN(FM&C) coordinate with DFAS to review and correct the authority codes in the Defense Automated Addressing System (DAAS) for the 611 DoDAACs and inform the activities involved that they are not authorized to make requisitions and should immediately stop doing so.

OASN(FM&C) Response: Concur in principle. The existing authority codes need to be reviewed and updated in DAAS as applicable. However, the SECNAVINST identified in Recommendation 2 and the internal controls identified in Recommendation 8 needs to be put in place before conducting this one time reconciliation. Otherwise, the reconciliation will not be sustainable. The "who and how" to conduct this reconciliation will need to be worked-out based on the results of the process review and any subsequent process improvements/staffing reassignments. Expected completion date is 30 Jun 2011 (approximately three months after completion of SECNAVINST).

Recommendation 11. OASN(FM&C) requires the BSOs to perform a one-time validation of DoDAAC assigned authority codes in DAAS and coordinate with DFAS to make required changes.

OASN(FM&C) Response: Concur in principle. However, the SECNAVINST identified in Recommendations 2 and 10, and the internal controls identified in Recommendation 8 needs to be put in place before conducting this one time reconciliation. Otherwise, the reconciliation will not be sustainable. The "who" and "how" to conduct this reconciliation will need to be worked-out based on the results of the process review and any subsequent process improvements/staffing reassignments. Expected completion date is 30 Jun 2011 (approximately three months after completion of SECNAVINST).

Office of the Assistant Secretary of the Navy
(Financial Management and Comptroller)
Response to the Naval Audit Service Discussion Draft on
Management of Navy Unit Identification Codes (UICs)

Recommendation 12. OASN(FM&C) establish guidance requiring BSOs to periodically at a specified interval, such as quarterly, validate the authority codes in DAAS to ensure the codes are in agreement with the UIC purpose codes.

OASN(FM&C) Response. Concur in principle. However, management of authority codes in DAAS has historically been an Acquisition/Logistics function. Therefore, OASN(FM&C) will coordinate with OASN(RD&A) and include validation of authority codes in the SECNAVINST mentioned in our response to Recommendation 2. Target completion date is 31 Mar 2011.

Recommendation 13. OASN(FM&C) develop and issue detailed official instructions to the BSOs for submitting a Navy DoDAAC request, and outline the process and steps needed to complete the establishment, modification and disestablishment of DoDAACs and to require periodic validation of authority codes.

OASN(FM&C) Response: Concur in principle. However, DoDAAC management historically has been an Acquisition/Logistics function. Therefore, OASN(FM&C) will coordinate with OASN(RD&A) and include in the SECNAVINST mentioned in our response to Recommendation 2. Target completion date is 31 Mar 2011.

Office of the Assistant Secretary of the Navy
(Financial Management and Comptroller)
Response to the Naval Audit Service Discussion Draft on
Management of Navy Unit Identification Codes (UICs)

Notional POA&M

| | <u>Start</u> | <u>End</u> |
|---|--------------|------------|
| Conduct Review | 1 Oct 10 | 31 Jan 11 |
| Write SECNAVINST | 15 Jan 11 | 31 Mar 11 |
| Realignment (if necessary) | 1 Apr 11 | 31 May 11 |
| One Time Reconciliation (UIC and DoDAAC) | 31 Mar 11 | 30 Jun 11 |
| Training Development (Paper based) | 01 Mar 11 | 30 Jun 11 |
| Training Development (CBT if feasible) | 31 Mar 11 | 30 Sep 12 |

Appendix 2:

Management Response From Department of the Navy/Assistant for Administration



DEPARTMENT OF THE NAVY
ASSISTANT FOR ADMINISTRATION
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

SEP 17 2010

From: Department of the Navy/Assistant for Administration
To: Auditor General of the Navy

Subj: NAVAL AUDIT SERVICE DRAFT AUDIT REPORT ON MANAGEMENT
OF NAVY UNIT IDENTIFICATION CODES (N2009-NMC000-0059) DTD 20
AUG 10

Recommendation 9 of subject audit was addressed to Assistant for Administration,
Under Secretary of the Navy (AAUSN), now Department of the Navy/Assistant for
Administration (DON/AA).

Department of the Navy/Assistant for Administration concurs with
Recommendation 9, that the outdated URL which linked to the incorrect official Unit
Identification Code (UIC) table be disabled. That link was disabled in November 2009
during the course of the audit.

[REDACTED]

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