



U.S. DEPARTMENT OF THE NAVY
NAVAL AUDIT SERVICE



FISCAL YEAR 2020
ANNUAL REPORT
OCTOBER 1, 2019 - SEPTEMBER 30, 2020

NOVEMBER 9, 2020

Message from the Auditor General

Since my appointment as the Auditor General of the Navy in December 2019, I remain constantly impressed with the competency, dedication, and resilience of the employees of the Naval Audit Service.

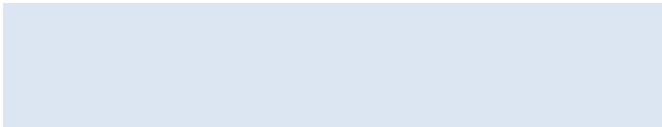
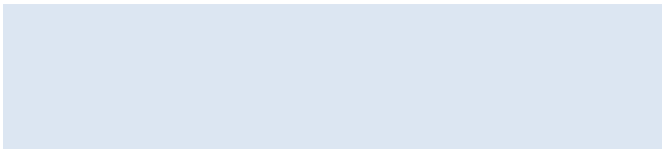
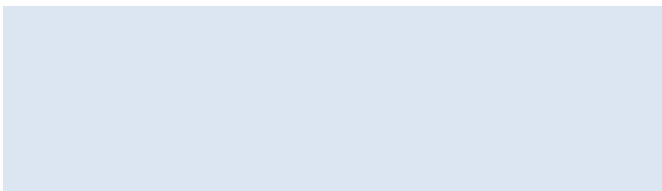
Upon my arrival, I made it a priority to rebuild morale while continuing to provide outstanding audit services to the Department of the Navy. Just as we saw early but overwhelming success in this area, a budget crisis erupted whereby the Naval Audit Service budget was poised to be reduced by 70 percent starting in Fiscal Year 2022. This crushing blow reversed every stride we had made forward. However, in spite of efforts to dramatically reduce our budget and the personal and professional challenges we faced during the COVID-19 pandemic, Naval Audit Service staff remained committed to our work for the Department, adapted to the changing environment, and proudly executed our mission on behalf of the American taxpayers, Sailors, Marines, and civilians we serve.



I am pleased to present the first Naval Audit Service Annual Report summarizing our efforts to make programs and policies more effective and efficient, to fight fraud, and to save scarce Department of the Navy funds. During Fiscal Year 2020, Naval Audit Service continued its work related to Antiterrorism and Force Protection and Base Security. A Naval Audit Service audit uncovered deficiencies in the Navy Security Forces law enforcement apprentice training program that created the potential for negative impacts on law enforcement operational readiness and effectiveness and an increased risk of death or injury to law enforcement personnel, suspects, and bystanders. Other notable work included the identification of Overseas Housing Allowance overpayments and a lack of controls to prevent the unauthorized disclosure of personally identifiable information. We identified over \$195 million in potential monetary benefits, and teamed up with Federal investigative agencies to identify potential fraud totaling over \$4.7 million. The Annual Report more fully describes our portfolio of completed work.

Thank you for your interest in the Naval Audit Service's work and results. I hope that you, your loved ones, and your fellow colleagues are safe and well during these unprecedented times.

Debra. D. Pettitt
Auditor General of the Navy



All images courtesy
U.S. Department of the Navy

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Fiscal Year 2020 Audit and Investigative Assist Statistics

# Audit Reports Issued	37
\$ Potential Monetary Benefits Identified	\$195.4M
# Recommendations for Corrective Action	206
% Recommendations Agreed-To	98%
# Fiscal Year 2020 Recommendations Closed	54
# Fiscal Year 2020 Unimplemented Recommendations	152
# Investigative Assists	5
\$ Potential Fraud Identified	\$4.7M

Naval Audit Service Overview

The Naval Audit Service is an independent office within the Department of the Navy that assists the Navy and Marine Corps by conducting performance audits, financial-related audits, and attestation engagements. The Naval Audit Service also provides nonaudit services, such as support to Naval Criminal Investigative Service investigations.

Led by a civilian Auditor General of the Navy and assisted by three Assistant Auditors General, the Auditor General serves as the principal advisor to the Secretary of the Navy, Under Secretary of the Navy, Chief of Naval Operations, and Commandant of the Marine Corps on all audit-related matters. The Auditor General has sole responsibility for auditing within the Department of the Navy.

The Naval Audit Service is headquartered at the Washington Navy Yard in Washington, DC, and has field offices in Norfolk, VA, and San Diego, CA.

★ MISSION ★

In support of Sailors, Marines, Civilians, and Families, our mission is to provide Department of the Navy senior leadership with independent and objective audit and investigative support services targeted to improve program and operational efficiency and effectiveness while mitigating risk.

★ VISION ★

To be a highly-respected audit organization comprised of engaged professionals delivering high quality, results-oriented, independent, internal audit services and products that benefit Sailors and Marines, Department of the Navy civilians, and American taxpayers by improving operations, increasing efficiency, and reducing risk.

★ CORE VALUES ★

Our commitment to **accountability, excellence, integrity, and trust** is the foundation of our success. We strive to provide reliable services that result in timely, relevant, fair, balanced, and credible products. We support the highest standards of excellence, honesty, and professionalism in our workforce to earn the trust of all stakeholders, sponsors, customers, and our workforce. We treat all with respect, dignity, and fairness, and highly value teamwork.

Summaries of Reports Issued in FY 2020*

Reports with Potential Monetary Benefits

Navy Aviation Incentive Pay (Report No. N2020-0010)

We found that Navy Personnel Command needed to improve controls over its Aviation Incentive Pay (AvIP) payments to produce better program results and ensure that AvIP was managed in compliance with guidance and regulations. We projected that approximately 2.1 percent of officers who received continuous AvIP in Fiscal Year 2018 were overpaid by \$201,000. We also projected that approximately 12.8 percent of officers who received aeromedical AvIP in Fiscal Year 2018 were overpaid by \$114,000. We also found a lack of segregation of duties. For example, users were allowed to make changes to the automated system for AvIP without supervisory tracking or approval. Lack of proper oversight and controls can lead to erroneous AvIP payments going undetected. Further, if officers do not have their AvIP paid correctly, it could hurt program retention by deterring officers from staying in the military.



We identified \$22,895 in Potential Monetary Benefits and made six recommendations to address weaknesses and to enhance the management, execution, and oversight of the Navy's AvIP Program. Management agreed with all the recommendations.

* Report N2020-0018, (U) Emergency and Extraordinary Expense Funds at the Office of Naval Intelligence, is not included because the contents are classified.

United States Marine Corps Military Construction Projects Proposed for Fiscal Year 2021

(Report No. N2020-0017)

We found that the three Marine Corps Military Construction (MILCON) projects contained in the Department of the Navy proposed Fiscal Year 2021 MILCON program selected for review provided a valid need; however, all three projects were not sized in accordance with Unified Facilities Criteria. Although the Marine Corps provided sufficient guidance for the preparation of MILCON project requests, we found cases in which project scoping was incorrect because of insufficient supporting documentation, incorrect application of criteria, and inclusion of unnecessary line items. The projects reviewed for the Marine Corps were over-scoped by \$11.824 million and under-scoped by \$35.941 million.

We made a recommendation to reduce the over-scoped projects and a recommendation to obtain supporting documentation for the under-scoped projects. Management agreed with recommendations. Management agreed in principle to the \$11.824 million of funds that could potentially be put to other use. To date, management has agreed with \$3.055 million in over-scoped items with revisions made to the project line items.

Department of the Navy Civilian Time and Attendance for Navy Reserve Duty

(Report No. N2020-0022)

We identified seven civilians who improperly collected both civilian pay and Navy Reserve pay while on active duty, totaling \$27,213, as well as six civilians who improperly charged military leave totaling \$2,261. This was in contrast to Federal law and Department of Defense policy, which state that military members may not receive additional pay for other Federal service unless specifically authorized by law.

These improper transactions occurred for several reasons, including: (1) employees and supervisors not understanding policy; (2) lack of a checkout process for mobilizations, and supervisor failure to follow procedures; and (3) some Budget Submitting Offices not maintaining documentation as required. As a result, we projected \$805,000 was improperly collected by civilians while on active duty, and \$34,500 was improperly charged in military leave, for a total of \$839,500. Over the course of the next 5 years, total potential monetary benefits could be \$4,197,500.

We identified \$29,474 in potential monetary benefits and made 17 recommendations to 8 Budget Submitting Offices to investigate

improper payments to determine causes, and take corrective actions to strengthen internal controls as well as recoup funds, and report findings and corrective actions to the Naval Audit Service. In addition, we recommended the Assistant Secretary of the Navy for Manpower and Reserve Affairs issue guidance to ensure Budget Submitting Offices, and employees who are in the Navy Reserve, understand policies for time and attendance for military duty. Management agreed with all the recommendations and reported an additional \$9,706 in improper payments.

**Navy Military
Construction Projects
Proposed for Fiscal
Year 2021**
(Report No. N2020-0029)

We found that line items for eight of the nine Navy Military Construction (MILCON) projects contained in the Department of the Navy proposed Fiscal Year 2021 MILCON program selected for review were over-scoped by \$191.767 million, and line items for five of the projects were under-scoped by \$26.022 million. Additionally, at the request of the Naval Facilities Engineering Command, we reviewed one Fiscal Year 2023 Navy MILCON project with a value of \$107.410 million. While we found the project was valid, it had over-scoped line items totaling \$15.892 million.

Even though the Navy provided sufficient guidance for the preparation of MILCON project requests, project scoping was incorrect because of insufficient and/or unsupported documentation, incorrect application of criteria, and inclusion of unnecessary line items.

We found that eight of the nine Navy Military Construction projects reviewed were over-scoped by \$191.8 million.

We found projects that were not sized in accordance with Unified Facilities Criteria and/or included items that were not required.

We made two recommendations to reduce the over-scoped projects and a recommendation to validate the under-scoped line items. Management agreed with all three recommendations, including the over-scopes of \$191.767 million. For the Fiscal Year 2023 project, due to changes in the scope of the project, the agreed-upon savings between the Naval Audit Service and Commander, Navy Installations Command are \$528,640.

Navy's Housing Allowances within Navy Region Europe, Africa, Central
(Report No. N2020-0036)

We found that outside the Continental U.S. (OCONUS) Service members within Commander, Navy Region Europe, Africa, Central (CNREURAFCENT) were not receiving the appropriate housing allowances to which they were entitled. Specifically, we determined that Personnel Support Detachments: (1) processed Overseas Housing Allowance (OHA) entitlements without complete supporting documentation; (2) improperly processed various housing allowances for 50 Service members; and (3) were missing authoritative documentation related to OHA and Move-In Housing Allowance (MIHA) Rent/Security entitlements.

The deficiencies found occurred because Personnel Support Detachments within NREURAFCENT had a significant, material, and systematic breakdown of internal controls related to the processing of OCONUS housing allowances, and had opportunities to improve their records management practices.

We identified \$5,827 of improper OHA payments and estimated \$72,849 of improper OHA payments were made to 17 Service members over Calendar Years 2017-2018. We projected approximately \$5.4 million in improper OHA payments paid to Service members for the same timeframe. In addition, we identified that \$20,778 in improper payments were made to 33 Service members related to MIHA Miscellaneous and other housing allowance payments. Lack of compliance with established policies and insufficient oversight increases the potential for fraud, waste, and abuse to go undetected and undeterred.

We projected approximately \$5.4 million in improper Overseas Housing Allowance payments paid to Service members for Calendar Years 2017-2018.

We made 12 recommendations including the following:
(1) strengthen internal controls to ensure standard operating procedures are followed when processing housing allowances;
(2) recoup funds and report results to the Naval Audit Service;

(3) provide oversight to ensure precontracts/lease agreements are in compliance with the Joint Travel Regulation; and (4) conduct a study to determine whether a Fair Market Value Tool could be implemented at all Personnel Support Detachments within the region. Management agreed with all recommendations. However, the planned actions for three recommendations only partially meet the intent of the recommendation; these recommendations are considered undecided at the time of issuance of the Fiscal Year 2020 Naval Audit Service Annual Report.

Acquisition Integrity and Fraud

Department of the Navy Base Operating Support Contract at Public Works Department U.S. Naval Academy, Annapolis (Report No. N2020-0009)

We found that Naval Facilities Engineering Command Washington did not have sufficient internal controls in place to ensure the base operating support contract at Public Works Department, U.S. Naval Academy, Annapolis, was effectively administered in accordance with contracting policies and procedures. The contractor had not established or maintained a sufficient preventive maintenance program, and performance assessment representatives (PARs) did not sufficiently and consistently document surveillance on the Performance Assessment Worksheets. In addition, we found that PARs did not conduct performance assessments for each contract specification item as required, and that functional assessment plans did not have measurable performance standards and were not used by the PARs.

We also determined that monthly performance assessment summaries were not accurate or completed by PARs per annex/sub-annex, and the Performance Assessment Board did not always discuss or document the contractor's performance rating. Furthermore, indefinite delivery/indefinite quantity orders either did not contain any



supporting documentation to support that the price was fair and reasonable or were missing sufficient supporting documentation, the quality control program was not sufficient, and the follow-on base operating support contract took an unusually long time to award. By not implementing sufficient internal controls and maintaining sufficient supporting surveillance documentation, the Navy does not have assurance that it acquired necessary goods and services, or received the goods or services for which it paid, and is vulnerable to fraud, waste, abuse, and mismanagement. These internal control weaknesses occurred because responsible activities did not provide sufficient guidance, training, and oversight over the administration of the base operating support contract at Public Works Department, U.S. Naval Academy, Annapolis.

We made 10 recommendations to address weaknesses and to enhance the management, execution, and oversight of the Public Works Department U.S. Naval Academy, Annapolis Base Operating Support contract. Management agreed with all recommendations.

**Government
Commercial Purchase
Card Program at Naval
Air Systems Command**
(Report No. N2020-0030)

We determined that Naval Air Systems Command (NAVAIR) generally managed and executed their Government Commercial Purchase Card (GCPC) program effectively and efficiently. Cardholders had sufficient documentation for their purchases and proper authority to use the GCPC, and they used it properly to purchase authorized goods from mandatory sources of supply. We did not identify any improper or fraudulent purchases from the 175 transactions reviewed, and were able to verify the existence of all the pilferable/questionable items in the sample. We concluded that the Agency Program Coordinators and Approving Officials managed and provided proper program oversight of the NAVAIR GCPC program.

However, we found that contractors were performing purchase cardholder duties at one NAVAIR site, which is not authorized by Department of the Navy purchase card policy. Specifically, the contractors were obtaining receipts for all the GCPC purchases; preparing and maintaining the purchase log; and reconciling documentation against the GCPC credit card statements. This occurred because language in a contract at the activity required the contractor to perform the cardholder duties of obtaining receipts and

reconciling documentation. Further, the Contracting Officer's Representative did not provide sufficient surveillance to prohibit the contractor from preparing and maintaining the purchase log. The Government may have incurred liability by allowing the contractor to perform work outside the scope of the contract.

We made two recommendations to NAVAIR to address the contracting deficiencies and strengthen internal controls over contractor oversight. Management agreed with both recommendations.

Antiterrorism and Force Protection

Naval Criminal Investigative Service Port Visit Support Program Impact on Force Protection Vulnerabilities for Selected Ship Visits at Ports Outside the Continental United States

(Report No. N2020-0003)

We found that the Naval Criminal Investigative Service (NCIS) Port Visit Support (PVS) program had a valuable impact on the Navy's ability to protect ships visiting ports Outside the Continental United States. However, we found opportunities to improve the operating efficiency and effectiveness of PVS program management. Specifically, we identified concerns with the internal tracking database, to include unsupported or inaccurate information, and missing data elements that could quantify risks associated with not providing PVS services as intended. We also found the Secretariat Review Board budget submissions lacked appropriate support for some of NCIS's requests, which led to the denial of those requests.

Without accurate data and metrics, NCIS cannot determine how well the program is executing its mission, and may not be able to accurately identify and/or quantify the risks associated with the PVS program. Without these metrics, NCIS also cannot provide sufficient support in their budget/staffing requests. If NCIS cannot adequately support its requests for additional resources, it risks not having sufficient agents to perform PVS functions, such as arriving to an elevated-threat-level port with sufficient lead time to identify, detect, and provide timely and actionable information to the warfighter on all possible imminent or emergent threats to ships and personnel. This situation may impact the ability of commanders to make effective decisions.

These conditions occurred because internal controls to ensure the accuracy of the NCIS internal database were either not in place or not being conducted. In addition, NCIS did not program the database to track certain data elements that may help them better determine the level of PVS support needed and to quantify the risk in obtaining/providing proactive information to the warfighter. Furthermore, NCIS did not provide sufficient justification/metrics in recent Secretariat Review Board submissions, and NCIS has not been able to hire enough personnel to cover attrition.

We made five recommendations to address the PVS program concerns, including establishing controls to ensure Port Visit database data completeness and accuracy and metrics to justify budget requests in the next Program Objective Memorandum/Secretariat Review Board submissions. Management agreed with all recommendations.

Department of the Navy Implementation of Recommendations from the Investigation into the Shooting Incident at the Washington Navy Yard
(Report No. N2020-0004)

We found that one of the recommendations from the Secretary of the Navy-directed investigative report, "Investigation into the Fatal Shooting Incident at the Washington Navy Yard on 16 September 2013 and Associated Security, Personnel, and Contracting Policies and Practices," was effectively implemented. However, one of three actions for the other recommendation regarding oversight and administration of personnel security aspects of the Navy contracts was not implemented, and additional corrective action is needed.

We made one recommendation to establish a Department of the Navy-wide approach for monitoring and overseeing contractor compliance with contract personnel security requirements. Due to the reassignment of this responsibility outside the Department of the Navy to the Defense Security Service, the Assistant Secretary of the Navy for Research, Development, and Acquisition, did not concur with the recommendation. We agreed with the response from Navy management and consider the recommendation closed. No further action was taken on the recommendation since the Naval Audit Service does not have purview over the Defense Security Service.

**Chemical, Biological,
Radiological, and
Nuclear First
Responder
Preparedness**
(Report No. N2020-0008)

We found that Navy Security Force (NSF) personnel at installations outside the continental U.S. (OCONUS) were not mask fit tested, hazardous material trained, or prepared to respond to a chemical, biological, radiological, and nuclear (CBRN) incident using the provided personal protective equipment. Only 3 of 8 judgmentally selected OCONUS Navy installations across 5 regions had a process in place for fit testing NSF personnel, resulting in 299 of 1,895 NSF personnel reviewed being fit tested. Further, the Enterprise Safety and Management System (ESAMS) was not fully used as required to track and maintain training and fit testing - only 733 of 1,895 NSF personnel reviewed were on the ESAMS respiratory compliance report. Conversely, we found all fire departments visited had effective processes in place for fit testing personnel and tracking in ESAMS. However, there was confusion regarding the HAZMAT Awareness Training for NSF personnel and concerns with the response capability of fire personnel.



These conditions occurred because the CBRN program was assigned a low management priority, received minimal funding, and was deemed a low-risk area. This resulted in an under-developed and ineffective ashore CBRN program with poor internal controls and inconsistent procedures. Not having an adequate number of NSF personnel fit tested, trained, and prepared to respond to a CBRN incident, could result in excessive response times or improper use of personal protective equipment. Ineffective equipment or unprepared personnel put the responders' lives and those they protect in danger. We made 11 recommendations to fully develop the CBRN program, strengthen internal controls, and address conditions noted to enhance capabilities to respond to potential future CBRN incidents. Management agreed with all but one of the recommendations. However, they have taken action to address the undecided recommendation, thereby indicating their agreement with the recommendation.

**Contractor Base
Access at Selected
Outside the
Continental United
States Installations
(Commander, Navy
Region Europe, Africa,
Central)**
(Report No. N2020-0015)

Our review of selected outside the continental U.S. (OCONUS) Navy installations found that: (1) contractors were working on base under a contract that did not contain any base access language; (2) contractors were not vetted prior to gaining access to the installation; (3) Commander, Navy Region Europe, Africa, Central (CNREURAFCENT) installations had different processes in place; and (4) installations were not utilizing the Defense Biometric Identification System (DBIDS) to control contractor base access.

Specifically, we found that tenant commands awarded contracts without base access language because the Office of the Chief of Naval Operations did not establish and implement OCONUS-specific policy or require standardized language in contracts relating to contractor base access. In addition, Commander, Navy Installations Command (CNIC) and CNREURAFCENT did not initiate and implement an OCONUS-specific policy regarding contractor base access. Installations did not have proper oversight to ensure contractors were vetted and records were maintained in accordance with applicable guidance. CNREURAFCENT installations also did not provide training regarding sponsoring responsibilities for tenant commands. CNIC did not provide installations the necessary DBIDS equipment. Additionally, we found that CNIC did not provide installations with access to OpenFox, a system used to obtain criminal justice information. This is a repeat finding, because CNIC had agreed to do so per a recommendation made by Department of Defense Inspector General in 2015. As a result, if effective processes are not in place to vet, grant, and revoke physical access to contractors, the antiterrorism protection of overseas bases in CNREURAFCENT is not as strong as it could be, which could potentially compromise Navy personnel and assets.

We made eight recommendations to strengthen controls over contractor accesses to bases. Management agreed with all but one of the recommendations.

**Sufficiency of Law
Enforcement Training
for Navy Security
Forces Personnel**
(Report No. N2020-0023)

We found that Navy Security Forces (NSF) law enforcement training provided at Master-at-Arms (MA) "A" School for personnel apprentice training was insufficient, creating a gap in knowledge,

skills, and actions for military police personnel and restricting the NSF's ability to effectively perform required law enforcement duties.

We identified deficiencies in minimum law enforcement training standards, apprentice training program accreditation, training content, training delivery methods, and supplemental law enforcement training standardization. Due to these deficiencies, there is the potential for: (1) negative impacts on NSF law

enforcement operational readiness and effectiveness at installations and aboard ships; (2) senior MA personnel with no or little law enforcement experience being placed in law enforcement supervisory roles; (3) the violation of an individual's Constitutional rights; and (4) increased risk of death or injury to NSF personnel, suspects, and bystanders. Overall, this could result in significant legal

liability to the Navy, hinder prosecutions of criminal cases, and result in adverse media coverage if the Navy was found negligent during an incident due to insufficient law enforcement training. These deficiencies existed, in part, due to the Navy's shift in priorities from law enforcement to antiterrorism/force protection after the September 2001 terrorist attacks, and the Navy's MA community structure.

We made four recommendations to address MA apprentice training curriculum deficiencies and to implement a strategy to address law enforcement training policy, oversight, and resourcing insufficiencies within the NSF community. Management agreed with all the recommendations.

Training provided at Master-at-Arms "A" School was insufficient, which created a gap in knowledge, skills, and actions for military police personnel and restricted the Navy Security Forces' ability to effectively perform required law enforcement duties.

Cybersecurity

Submarine Cybersecurity Inspections and Assessments (Report No. N2020-0037)

We found that Commander, Submarine Force, U.S. Pacific Fleet (COMSUBPAC) and its Immediate Superiors in Command did not provide documentation to support that all required annual cybersecurity inspections were performed during Calendar Years 2016 through 2018. Further, we found that audit trails were not maintained and there was no process to record follow-up on planned resolutions as required. As a result, COMSUBPAC lacked the assurance that submarines were as cyber ready and secure as possible. There is also a risk the inspectors will not perform consistent and thorough inspections, or follow up on previously noted deficiencies. We also determined that U.S. Fleet Cyber Command's (FLTCYBERCOM's) Office of Compliance and Assessments (OCA) and Blue Team did not inspect and assess, respectively, the COMSUBPAC submarines, as required. As a result, the Department of Defense Information Network may be exposed to an unacceptable level of risk.

We made three recommendations to COMSUBPAC that, when implemented, should strengthen internal controls and oversight to ensure required cybersecurity inspections on COMSUBPAC submarines are performed and properly documented, as required. We also made three recommendations to FLTCYBERCOM that, when implemented, should strengthen internal controls and oversight to ensure required Blue Team assessments and OCA inspections are performed based on risk. Management agreed with all the recommendations.

Facilities and Real Property Management

Navy Public-Private Venture Military Base Housing (Report No. N2020-0006)

We found that significant opportunities existed to improve Navy oversight of the end-to-end service call process and Public-Private Venture military family housing program, policy guidance, and control environment. Public-Private Venture (PPV) partners are responsible for the daily operations and responding to service calls. This Secretary of the Navy-requested audit focused on the Navy's

oversight of the end-to-end process at 5 locations that accounted for 16,211 of the 39,287 Navy privatized housing units.

Specifically, we identified concerns with the data reliability of PPV partners' management systems. Additionally, response and/or completion times may be misleading, and 36 percent of all service calls reviewed did not fall under criteria covered by the business agreements with the PPV partners. We also identified that 71 of 212 (33 percent) service calls had an issue reoccurring one to six times, which supported the need to identify quality of work performed. Significant opportunities to improve Navy oversight of the PPV housing program included areas of monitoring, documentation, staffing, standardization of performance metrics (including timeliness and incentive fees), training, and use of more advanced data analytics to identify emerging trends and systemic issues.

We made 12 recommendations to address internal control weaknesses and enhance the management, execution, and oversight of the Navy's PPV military housing program. Management agreed with all the recommendations.

**U.S. Marine Corps
Public-Private Venture
Military Base Housing**
(Report No. N2020-0012)

We found that significant opportunities existed to improve Marine Corps oversight of the end-to-end service call process and Public-Private Venture (PPV) military family housing program, policy guidance, and control environment. This Secretary of the Navy-requested audit focused on the oversight of the end-to-end process at 2 locations that accounted for 12,999 of 23,289 Marine Corps privatized housing units.

Specifically, we identified concerns with the data reliability of PPV partners' management system. Additionally, response and/or completion times may be misleading, in part due to the additional service call classifications created by the partners that were not specified in the business agreements. In 2017 and 2018, Naval Facilities Engineering Command validated and approved incentive fees for a property manager to be paid from the PPV portfolio for timely response and completion of service calls; however, we could not independently verify the validation and approval process to ensure the partner met the agreed-to timelines. In addition, the

business agreements reviewed lacked an indicator for quality. Significant opportunities to improve Marine Corps oversight of the PPV housing program included areas of monitoring, staffing, standardization of performance metrics for incentive fees, and training.

We made eight recommendations to address internal control weaknesses and enhance the management, execution, and oversight of the Marine Corps PPV military housing program. Management agreed with all the recommendations.

Financial Management

Accountability Over Cash and Other Monetary Assets at Selected Navy Personnel Support Detachments Outside the Continental United States

(Report No. N2020-0005)

We found that the selected Navy Personnel Support Detachments (PSDs) outside the continental U.S. (OCONUS) and Disbursing Detachment Djibouti accurately accounted for Cash and Other Monetary Assets (COMA) at the time of our site visits; however, the three sites selected for audit were not complying with certain Department of Defense Financial Management Regulation and Navy Pay and Personnel Support Center (NPPSC) policy requirements for accountability and physical security. PSDs had insufficient internal controls, and NPPSC had insufficient oversight, to ensure COMA accountability and physical security requirements were followed in accordance with policies. Further, NPPSC had insufficient internal controls and oversight to ensure personnel responsible for COMA possessed and maintained the proper knowledge and skills to perform their assigned duties in accordance with policies.

We also determined that PSD Bahrain did not adhere to requirements to safeguard personally identifiable information (PII). The PSD had unprotected physical and electronic financial records containing PII (such as photocopies of personal checks that detailed the individuals' names, Social Security numbers, addresses, bank account numbers, and signatures) that could be readily accessed by unauthorized personnel. PSD Bahrain had insufficient internal controls, and NPPSC had insufficient oversight, to ensure PII safeguarding requirements were followed in accordance with policy.

We made five recommendations that address strengthening internal controls and oversight to ensure compliance with guidance on financial reporting, physical security, and PII safeguarding as well as ensuring personnel accountable for COMA possess the proper knowledge and skills. Management agreed with all the recommendations.

**Naval War College
Professors' Travel
Expenditures**
(Report No. N2020-0011)

We found that Approving Officials (AOs) approved travel expenditures of Naval War College professors without supporting documentation in the Defense Travel System. Further, officials approved voucher payments without ensuring travel claim computations were correct and did not complete annual refresher training timely, in accordance with the Department of Defense (DoD) Financial Management Regulation. Specifically, 55 of 151 travel vouchers (36 percent) were approved without the required receipts and/or the correct computation. In addition, 1 of 6 AOs did not complete annual refresher training within established timeframes.

We made four recommendations to address reimbursements and oversight, which will improve internal controls over travel expenditures. Management agreed with all the recommendations

**Navy Submarine
Duty Pay**
(Report No. N2020-0014)

We found that all sampled Service members met the Continuous Submarine Duty Pay (CONSUBPAY) eligibility requirements and received accurate CONSUBPAY in Calendar Year 2018. Although the CONSUBPAY Program was in compliance with regulations, Enlisted CONSUBPAY was not included as part of Navy Personnel Command's Managers' Internal Control (MIC) Program, but the CONSUBPAY for officers was included. The omission of Enlisted CONSUBPAY in the MIC Program occurred because Navy Personnel Command did not assess whether Enlisted CONSUBPAY should be part of the program and did not provide guidance to Nuclear Propulsion Program Manager Division (N133) to include Enlisted CONSUBPAY as part of their MIC Program review. If Enlisted CONSUBPAY is included in the MIC Program, it could help prevent problems from arising in the future and help keep the program effectively managed. In addition, Navy leadership could effectively evaluate the potential risk of internal control deficiencies for CONSUBPAY.

We made three recommendations that will improve internal controls surrounding CONSUBPAY. Management agreed with all the recommendations.

Allocation of Depot Maintenance Workload Between Public and Private Sectors at U.S. Marine Corps
(Report No. N2020-0020)

We determined that the Marine Corps' Fiscal Year 2019 Depot Maintenance Workload Distribution Report (50/50 report) to the Office of the Chief of Naval Operations Fleet Readiness Division (OPNAV (N83)) was accurate, based on the scope of the audit, and adequately supported by documentation. Marine Corps personnel maintained and provided sufficient documentation, which supported the amounts for transactions selected for review.

Due to the positive condition noted, we did not make any recommendations.

Allocation of Depot Maintenance Workload Between Public and Private Sectors at Naval Sea Systems Command
(Report No. N2020-0024)

We determined the Naval Sea Systems Command (NAVSEA's) Fiscal Year 2019 Depot Maintenance Workload Distribution Report (50/50 report) to the Office of the Chief of Naval Operations Fleet Readiness Division (OPNAV (N83)) was accurate, based on the scope of the audit, and adequately supported by documentation. NAVSEA personnel maintained and provided sufficient documentation, which supported the amounts for transactions selected for review.

Due to the positive condition noted, we did not make any recommendations.

Allocation of Depot Maintenance Workload Between Public and Private Sectors at Commander, U.S. Pacific Fleet
(Report No. N2020-0025)

We determined that Commander, U.S. Pacific Fleet's (COMPACFLT's) Fiscal Year 2019 Depot Maintenance Workload Distribution Report (50/50 report) to the Office of the Chief of Naval Operations Fleet Readiness Division (OPNAV (N83)) was accurate, based on the scope of the audit, and adequately supported by documentation, with minor discrepancies noted. Minor discrepancies found were the result of data entry errors, which COMPACFLT personnel identified. We do not consider these discrepancies material. On 2 March 2020, COMPACFLT agreed with the audit results, corrected the discrepancies in their Fiscal Year 2019 distribution report, and resubmitted their information to OPNAV (N83).

Based on actions taken during the audit, we did not make any recommendations.

**Agreed-Upon
Procedures for
Existence and
Completeness of Navy
Vessels (Ships and
Submarines)**
(Report No. N2020-0026)

We performed an agreed-upon procedures attestation engagement at the request of the Deputy Assistant Secretary of the Navy for Financial Operations to confirm that processes were in place for acquiring, reconciling, and disposing of vessels (ships and submarines) during the period 1 July 2019 to 31 January 2020. The assistance was requested in support of the Secretary of the Navy Statement of Assurance.

We confirmed the following:

- (1) For six newly acquired vessels, the hull number and date were recorded in the Navy accounting system. However, vessels were not recorded in the Navy accounting system timely.
- (2) For one newly acquired vessel, documentation for 45 transactions totaling \$3.9 million were supported; the total cost also was recorded in the Navy accounting system, and the construction-in-progress account was reduced accordingly.
- (3) For six commands required to report inventory reconciliation, three did not complete the physical observations and four did not approve the annual inventory package Memorandums prior to fiscal year end or 30 September 2020. For six commands required to report inventory reconciliation, we were unable to perform the related procedure because there was not a formal process for senior-level executive or equivalent uniformed personnel to review and approve the annual inventory analysis.
- (4) For four disposed vessels, the asset number and documentation number corresponded to the list of disposed vessels and the four vessels were removed from the Navy accounting system timely upon disposal of the vessel.

We were unable to confirm that personnel receiving and accepting the vessel, reconciling physical observations to the Navy financial system, and completing disposal documentation were authorized to do so because they were unable to provide documentation of their authority through a Delegation of Authority letter.

We were unable to perform a test to determine whether there was proper review and approval of the annual inventory reconciliation because there was not a documented formal review process in place.

Agreed-Upon Procedures for Existence and Completeness of Navy Satellites
(Report No. N2020-0027)

We did not make any recommendations because this was an agreed-upon procedure.

We performed this agreed-upon procedures attestation engagement at the request of the Deputy Assistant Secretary of the Navy for Financial Operations to confirm whether processes were in place for acquiring, reconciling, and disposing of satellites. The assistance was requested in support of the Secretary of the Navy Statement of Assurance.

We were unable to test the processes in place for acquiring and disposing because no satellites were acquired or disposed of during the period of review. However, we confirmed that the reconciliation for the annual inventory analysis was reviewed and approved by a senior-level executive.

We did not make any recommendations because this was an agreed-upon procedure.

Allocation of Depot Maintenance Workload Between Public and Private Sectors at Naval Supply Systems Command
(Report No. N2020-0028)

We determined that data for Naval Supply Systems Command's (NAVSUP's) Fiscal Year 2019 Depot Maintenance Workload Distribution Report (50/50 report) to the Office of the Chief of Naval Operations Fleet Readiness Division (OPNAV (N83)) was accurate, based on the scope of the audit, and adequately supported by documentation, with minor discrepancies noted. Minor discrepancies found were the result of system-generated errors, which NAVSUP personnel identified. We do not consider these discrepancies material. NAVSUP agreed with the audit results on 4 March 2020. Subsequently, on 12 March 2020, OPNAV (N83) also agreed with the audit results, corrected the discrepancies in their Fiscal Year 2019 distribution report, and submitted the information to the Office of the Secretary of Defense.

Based on the actions taken, we did not make any recommendations.

U.S. Marine Corps Civilian Employee Overtime in California
(Report No. N2020-0031)

We found that opportunities existed for supervisors at the Marine Corps activities in California to improve the overtime approval process in the areas of: (1) approval of overtime requests; (2) supervisory certification of the overtime timesheets; and

(3) delegation letters for overtime approvers. Specifically, we found a lack of supporting documentation to show that the overtime requests had been approved and a lack of supervisory certification, as required. Additionally, the Marine Corps activities could not provide a valid supervisor delegation letter when the overtime request was approved for 59 sampled civilian employees (60 percent) who had 5,506 overtime hours (24 percent) in 351 pay periods. We focused on the management of overtime for Marine Corps civilian employees of four selected California-based activities, which employed 75 percent of Marine Corps civilian employees in California in Calendar Year 2018.

These conditions occurred because supervisors at three out of four selected Marine Corps activities were not aware of the overtime documentation retention policy, and the supervisors did not properly certify the overtime timesheets. In addition, supervisors at three Marine Corps activities in California did not have internal controls in place to ensure documentation was retained and the supervisors properly certified employees' timesheets. As a result, the Marine Corps did not have assurance that overtime pay was accurate, complete, and supportable because its activities were not complying with Marine Corps overtime policy.

We made three recommendations to the Marine Corps, that when implemented, will improve internal controls surrounding overtime. The Marine Corps agreed with all the recommendations.

**Naval Audit Service
Input for the Fiscal
Year 2020 Statement
of Assurance**
(Auditor General Advisory
Memorandum N2020-0033)

The Naval Audit Service reports annually on internal control deficiencies detected during audits for the Assistant Secretary of the Navy for Financial Management and Comptroller, Office of Financial Operations (FMO) to consider when updating the Department of the Navy Statement of Assurance.

We determined areas of concern related to Contractor Base Access and recommended that the Assistant Secretary of the Navy for Financial Management and Comptroller ensure the audit issues found be considered when updating the Fiscal Year 2020 Statement of Assurance. We also reviewed open recommendations related to the Execution of Husbanding Contracts – Husbanding Services

Providers material weakness and recommended that FMO ensure these uncorrected deficiencies be considered when updating the Execution of Husbanding Contracts – Husbanding Services Providers corrective action plan for the Fiscal Year 2020 Statement of Assurance. There are 15 recommendations that remain open from Naval Audit Service Report N2019-0013, “Department of the Navy Husbanding and Port Services Provider Program,” dated 9 January 2019.

Allocation of Depot Maintenance Workload Between Public and Private Sectors within the Department of the Navy – Summary Report

(Report No. N2020-0034)

Consolidating our audit results of data reviewed at four selected organizations reporting in Department of the Navy’s Fiscal Year 2019 Depot Maintenance Workload Distribution Report, we concluded whether the Department of the Navy’s report to the Office of the Secretary of Defense and Congress for depot maintenance workload performed by public and private sources was accurate and adequately supported by documentation.

We found that the Fiscal Year 2019 allocation of depot maintenance workload data reported in the Department of the Navy’s distribution report was accurate, based on the scope of the audit, and adequately supported by documentation in all four audits, with minor discrepancies noted at two organizations. The minor discrepancies at these two organizations included data entry and system-generated errors. The audit results were agreed to, discrepancies were corrected in their Fiscal Year 2019 distribution reports, and information was submitted to the Office of the Secretary of Defense. Based on actions taken, we did not make any recommendations.

Internal Controls Over Morale, Welfare, and Recreation Program Onboard the USS John C. Stennis

(Report No. N2020-0035)

We found that supporting documentation was available to support that USS Stennis had taken corrective action on previously identified weaknesses for solicitation and competition, use of Morale Welfare, and Recreation (MWR) funds, and use of a personal credit card to make MWR funded purchases. However, we determined internal controls



still needed to be strengthened for purchase order approvals, receipt and acceptance, maintaining purchase order documentation, and separation of duties, as well as advertising tickets to the ship's crew and ticket accountability. The lack of internal controls and oversight over the MWR program can potentially create an environment where fraud, waste, abuse, and ethics violations go undetected.

We made five recommendations that, when implemented, will establish internal controls to ensure proper management of the MWR program's purchases of goods and services and improve advertisement of events and ticket accountability. Management agreed with all the recommendations.

Healthcare and Member/Family Support

Veterans Crisis Line Link for Suicide Prevention on Navy Web Sites (Report No. N2020-0001)

We found that Navy home pages did not contain the required working link to the Veterans Crisis Line for suicide prevention in accordance with Secretary of the Navy Instruction 5720.44C. This Instruction requires that all Navy command and activity home pages, the logical entry point of the command or activity Web site, contain a hyperlink to the Veterans Crisis Line. The condition occurred because the guidance was unclear and there was a lack of oversight. As a result, when suicide crisis links and phone numbers are not prominently advertised on Navy Web sites, there is a missed opportunity to facilitate and encourage Sailors, civilians, and veterans to seek assistance in a critical time of need.

We recommended that the Navy Chief of Information: (1) establish internal controls and oversight to ensure all Navy Web sites display the required Veterans Crisis Line link; and (2) update Secretary of the Navy Instruction 5720.44C to establish an appropriate Veterans Crisis Line icon. Management agreed with both recommendations.

Information Technology Management and Deployment

Navy Cyber Defense Operations Command Continuity of Operations Plan (Report No. N2020-0013)

We found that, while Navy Cyber Defense Operations Command (NCDOC) does have a Continuity of Operations Plan (COOP) in place, it was not adequate to ensure the defense of Navy computer networks and systems. We also identified that the NCDOC COOP Instruction did not include required elements outlined in Secretary of the Navy Instruction and was not reviewed and updated as changes warranted. Furthermore, the NCDOC COOP did not fully address risk management as required, and NCDOC's Managers' Internal Control Program was missing required elements outlined in Secretary of the Navy guidance.

While the Navy Cyber Defense Operations Command has a Continuity of Operations Plan in place, it was not adequate to ensure the defense of Navy computer networks and systems.

These conditions occurred because NCDOC did not adhere to, misinterpreted, and/or was not aware of, Secretary of the Navy guidance for each of these Services requirements. Without a relevant and reliable COOP, appropriate risk management planning, and a fully functional Managers' Internal Control Program, NCDOC will not be prepared during a COOP event.

We made five recommendations to update, validate, and reissue the NCDOC COOP as needed; apply and document a risk-based framework during the readiness and preparedness phase; and incorporate missing requirements in the NCDOC Managers' Internal Control Program. Management agreed with all the recommendations.

Department of the Navy's Use of Cybersecurity Reciprocity Within the Risk Management Framework Process
(Report No. N2020-0019)

We found that Department of the Navy commands were leveraging cybersecurity reciprocity to reduce redundant test and assessment efforts when authorizing information technology within the Risk Management Framework (RMF) process. However, we found opportunities for improvement for the Department of the Navy's RMF cybersecurity reciprocity processes.

Specifically, we identified that the Navy and Marine Corps lacked assurance that four information technology systems authorized to operate via cybersecurity reciprocity within the RMF process were operating with an appropriate level of security. Without predetermined agreements in place, system capability and mission execution may be hindered due to a lack of assigned security responsibilities. This occurred because the Navy and Marine Corps accepted these systems without executing a documented agreement that established accountability for the maintenance and monitoring of the security posture of the systems.

We also identified that the Marine Corps had a diminished capability to support cybersecurity reciprocity within the RMF process, as described by Department of Defense Instruction 8510.01. Without meeting Department of Defense requirements, it is more difficult for Department of the Navy commands and more broadly, other Department of Defense components, to assess whether they can exercise cybersecurity reciprocity with Marine Corps systems. This occurred because Marine Corps guidance did not completely align with the Department of Defense guidance.

We made five recommendations to address improvements to the Department of the Navy's RMF cybersecurity reciprocity processes. Management agreed with all the recommendations.

Personally Identifiable Information at Navy Exchanges
(Report No. N2020-0021)

We found that although Navy Exchange Service Command (NEXCOM) facilities selected for audit established a Privacy Program and had controls in place, opportunities existed for strengthening internal control procedures to safeguard and/or protect customer personally identifiable information (PII) from unauthorized disclosure. NEXCOM Headquarters and 41 selected facilities did not always properly execute other requirements of the Department of the Navy Privacy

Program to sufficiently protect customer PII from unauthorized disclosure.

Specific issues found included: (1) a complete inventory listing of information technology properties containing PII was not maintained; (2) Privacy Impact Assessments were not conducted for all information technology properties that collect, maintain, or disseminate PII; (3) the Forms Management Program was not adhered to; and (4) semiannual spot checks were not conducted as required. These conditions existed due to policies and procedures not always being followed, insufficient monitoring, and a misinterpretation of guidance. When the Department of the Navy Privacy Program is not properly executed, customer PII is at greater risk for compromise.

We made four recommendations to address weaknesses and to enhance the management, execution, and oversight of the NEXCOM Privacy Act Program. Management agreed with all the recommendations.

Protection of Personally Identifiable Information at Selected United States Marine Corps Commands
(Report No. N2020-0032)

We found that the Marine Corps did not properly protect Personally Identifiable Information (PII) from unauthorized disclosure at selected Marine Corps commands.

Specifically, we found that the Marine Corps Privacy Act program was not properly implemented, local forms that collected PII were not reviewed or approved and did not include the Privacy Act Statement and/or For Official Use Only (FOUO) Privacy Sensitive marking, and semiannual spot checks for PII were not conducted. Physical and electronic safeguards were also not properly implemented to protect PII from unauthorized disclosure, disposal methods did not ensure that PII was rendered unrecognizable and beyond reconstruction, and PII breaches were not reported timely upon discovery. Finally, documentation was not provided to support that notification letters were developed to

Physical and electronic safeguards were not properly implemented to protect Personally Identifiable Information from unauthorized disclosure.

inform affected persons for all breaches reported. We also determined that PII and the Privacy Act Program were not included as assessable units or risk assessment areas in Managers' Internal Control Program for Fiscal Years 2017 and 2018.

We made 23 recommendations to address improvements throughout the Marine Corps to ensure PII is properly collected, safeguarded, and disposed. Management agreed with all the recommendations.

Logistics, Supply, and Maintenance Operations

Timely Materials Availability for Maintenance and Repair of Navy Facilities

(Report No. N2020-0002)

We found that, at the 10 Navy installations across 5 regions within the audit scope, the material ordering and receiving process for maintaining and repairing Navy facilities was not always effective or efficient. We identified that 40 percent of maintenance materials used for repairing Navy facilities were not received by the required delivery date. Specifically, Navy personnel did not effectively document essential data in the management information system, maintain separation of duties, retain supporting documentation, or consistently document materials received.

This occurred because Naval Facilities Engineering Command and Naval Supply Systems Command did not update their memorandum of agreement to reflect the current supply chain management environment; provide sufficient guidance and oversight; provide adequate training on the overall process and use of the management information system; and ensure sufficient buyer billets. As a result of not having an effective and efficient process for ordering and receiving materials necessary for maintaining and repairing Navy facilities, repairs are delayed and the Navy is at risk of potentially shutting down facilities, which impacts the Navy's mission and operations related to combat readiness. The lack of separation of



duties and supporting documentation could lead to potential fraud, waste, or abuse, and may affect audit readiness of the Navy.

We made 22 recommendations to update the memorandum of agreement and strengthen internal controls, execution, and oversight of the Navy's material ordering and receiving process for maintaining and repairing facilities. Management agreed with all the recommendations.

**Accountability Over
Night Vision Devices
at Selected
Department of the
Navy Commands**
(Report No. N2020-0007)

Based on the results of our statistical sample, we projected that at least 99.6 percent of Night Vision Devices (NVDs) that were listed within the Navy Registry at Naval Special Warfare Command (NAVSPECWARCOM) and Navy Expeditionary Combat Command (NECC) were properly and accurately accounted for. However, NECC subordinate commands needed improvement in the timely processing and completion of Financial Liability Investigation of Property Loss (DD Form 200) for missing NVDs. Further, a NAVSPECWARCOM subordinate command's inventory included NVDs purchased with National Guard and Reserve Equipment Appropriation funds that were not properly accounted for in the Navy Registry as required. Further, physical security over NAVSPECWARCOM and NECC subordinate commands' armories and cages where NVDs were stored did not provide sufficient access controls as required by Department of the Navy guidance. As a result, the Navy Registry was inaccurate, increasing the potential for loss of assets. There is the potential for unauthorized armory access, which fosters an environment where misuse and loss may go undetected and undeterred.

We made four recommendations to NAVSPECWARCOM and NECC to improve accountability over NVDs and prevent unauthorized access and loss. Management agreed with all the recommendations.

Systems Acquisition and Acquisition Logistics

New Weapons Platforms Infrastructure Integration (Report No. N2020-0016)

We found that the Navy infrastructure integration/process for new weapons platforms (vehicle, air, sea or surface, structure or person that carries, contains, or includes multiple information systems) did not always result in timely or adequate integration of the infrastructure to support the deployment of those platforms, as intended by Office of the Secretary of Defense and Navy criteria. We identified platforms with inadequate or untimely improvements to the airfields, power supplies, hangar size and configuration, pier support, and/or other infrastructure. These conditions occurred because of a lack of standard and consistent advance planning and a lack of communication. Further, Program Offices also did not always identify infrastructure requirements or assumed the use of existing infrastructure without considering the platforms' characteristics or the infrastructure condition, configuration, capacity, and/or age. Program Offices did not always fund infrastructure requirements that were uniquely associated with their platforms as part of the total ownership cost of the new warfare platform. Finally, the Navy has not specifically defined standard facility planning requirements, processes, documents, and roles and responsibilities across Systems Commands.

We made eight recommendations, including to develop standard facility planning processes, that when implemented should improve internal controls over weapon systems facilities planning. Management agreed with all the recommendations.

Appendix A: Audit and Investigative Assist Reports Issued

Audit Reports Issued

Summary: Audit Reports Issued by Functional Area

Functional Area	# of Reports
Acquisition Integrity and Fraud	2
Antiterrorism and Force Protection	5
Cybersecurity	1
Facilities and Real Property Management	4
Financial Management	16
Healthcare and Member/Family Support	1
Information Technology Management and Deployment	4
Logistics, Supply, and Maintenance Operations	2
Manpower and Personnel	1
Systems Acquisition and Acquisition Logistics	1
Total	37

Acquisition Integrity and Fraud

Report Number	Report Title	Date
N2020-0009	Department of the Navy Base Operating Support Contract at Public Works Department U.S. Naval Academy, Annapolis	01/06/2020
N2020-0030	Government Commercial Purchase Card Program at Naval Air Systems Command	08/14/2020

Antiterrorism and Force Protection

Report Number	Report Title	Date
N2020-0003	Naval Criminal Investigative Service Port Visit Support Program Impact on Force Protection Vulnerabilities for Selected Ship Visits at Ports Outside the Continental United States	10/11/2019
N2020-0004	Department of the Navy Implementation of Recommendations from the Investigation into the Shooting Incident at the Washington Navy Yard	10/29/2019
N2020-0008	Chemical, Biological, Radiological, and Nuclear First Responder Preparedness	12/06/2019
N2020-0015	Contractor Base Access at Selected Outside the Continental United States Installations (Commander, Navy Region Europe, Africa, Central)	02/20/2020
N2020-0023	Sufficiency of Law Enforcement Training for Navy Security Forces Personnel	05/22/2020

Cybersecurity

Report Number	Report Title	Date
N2020-0037	Submarine Cybersecurity Inspections and Assessments	9/30/2020

Facilities and Real Property Management

Report Number	Report Title	Date
N2020-0006	Navy Public-Private Venture Military Base Housing	11/06/2019
N2020-0012	U.S. Marine Corps Public-Private Venture Military Base Housing	01/24/2020
N2020-0017	United States Marine Corps Military Construction Projects Proposed for Fiscal Year 2021	03/20/2020
N2020-0029	Navy Military Construction Projects Proposed for Fiscal Year 2021	08/06/2020

Financial Management

Report Number	Report Title	Date
N2020-0005	Accountability Over Cash and Other Monetary Assets at Selected Navy Personnel Support Detachments Outside the Continental United States	11/06/2019
N2020-0010	Navy Aviation Incentive Pay	01/06/2020
N2020-0011	Naval War College Professors' Travel Expenditure	01/16/2020
N2020-0014	Navy Submarine Duty Pay	02/05/2020
N2020-0018	(U) Emergency and Extraordinary Expense Funds at the Office of Naval Intelligence	03/26/2020
N2020-0020	Allocation of Depot Maintenance Workload Between Public and Private Sectors at U.S. Marine Corps	05/08/2020
N2020-0024	Allocation of Depot Maintenance Workload Between Public and Private Sectors at Naval Sea Systems Command	06/12/2020
N2020-0025	Allocation of Depot Maintenance Workload Between Public and Private Sectors at Commander, U.S. Pacific Fleet	06/16/2020
N2020-0026	Independent Attestation Report: Agreed Upon Procedures for Existence and Completeness of Navy Vessels (Ships and Submarines)	06/30/2020
N2020-0027	Independent Attestation Report: Agreed Upon Procedures for Existence and Completeness of Navy Satellites	07/02/2020
N2020-0028	Allocation of Depot Maintenance Workload Between Public and Private Sectors at Naval Supply Systems Command	08/03/2020
N2020-0031	U.S. Marine Corps Civilian Employee Overtime in California	08/14/2020
N2020-0033	Auditor General Advisory Memorandum: Naval Audit Service Input for the Fiscal Year 2020 Statement of Assurance	09/04/2020
N2020-0034	Allocation of Depot Maintenance Workload Between Public and Private Sectors within the Department of the Navy – Summary Report	09/11/2020
N2020-0035	Internal Controls Over Morale, Welfare and Recreation Program Onboard the USS John C. Stennis	09/24/2020
N2020-0036	Navy's Housing Allowances within Navy Region Europe, Africa, Central	09/30/2020

Healthcare and Member/Family Support

Report Number	Report Title	Date
N2020-0001	Veterans Crisis Line Link for Suicide Prevention on Navy Web Sites	10/02/2020

Information Technology Management and Deployment

Report Number	Report Title	Date
N2020-0013	Navy Cyber Defense Operations Command Continuity of Operations Plan	01/28/2020
N2020-0019	Department of the Navy's Use of Cybersecurity Reciprocity Within the Risk Management Framework Process	04/09/2020

Report Number	Report Title	Date
N2020-0021	Personally Identifiable Information at Navy Exchanges	05/14/2020
N2020-0032	Protection of Personally Identifiable Information at Selected United States Marine Corps Commands	08/14/2020

Logistics, Supply, and Maintenance Operations

Report Number	Report Title	Date
N2020-0002	Timely Materials Availability for Maintenance and Repair of Navy Facilities	10/08/2019
N2020-0007	Accountability Over Night Vision Devices at Selected Department of the Navy Commands	11/20/2019

Manpower and Personnel

Report Number	Report Title	Date
N2020-0022	Department of the Navy Civilian Time and Attendance for Navy Reserve Duty	05/14/2020

Systems Acquisition and Acquisition Logistics

Report Number	Report Title	Date
N2020-0016	New Weapons Platforms Infrastructure Integration	03/10/2020

Investigative Assist Reports Issued

Summary: Reports Issued by Topic

Topic	# of Reports
Basic Allowance for Housing	3
Travel Claims	1
Contracting	1
Total	5

Appendix B: Reports with Funds Recommended to be Put to Better Use*

Report Number	Report Title	Date	Funds Put to Better Use		
			Claimed	Agreed-to	Difference
N2020-0010	Navy Aviation Incentive Pay	01/06/2020	\$22,895	TBD**	\$22,895
N2020-0017	United States Marine Corps Military Construction Projects Proposed for Fiscal Year 2021	03/20/2020	\$3,055,000	\$3,055,000	\$0
N2020-0022	Department of the Navy Civilian Time and Attendance for Navy Reserve Duty	05/14/2020	\$29,474	\$29,313**	\$161
N2020-0029	Navy Military Construction Projects Proposed for Fiscal Year 2021	08/06/2020	\$192,295,735	\$192,295,735	\$0
N2020-0036	Navy's Housing Allowances within Navy Region Europe, Africa, Central	09/30/2020	\$26,605	\$TBD**	\$26,605
Totals			\$195,429,709	\$195,380,048	\$49,661

* The term "recommendation that funds be put to better use" refers to a recommendation by the Naval Audit Service that funds could be used more efficiently or achieve greater program effectiveness if management took actions to implement and complete the recommendation. This term is defined by the Inspector General Act and includes, among other things, reductions in future outlays; deobligation of funds from programs or operations; costs not incurred in the future due to the implementation of recommended improvements related to the operations of the establishment, a contractor, or a grantee; and any other savings specifically identified, including reverting funds to the U.S. Treasury to be used for other purposes.

** Awaiting additional management actions for final amounts to be determined.

Appendix C: Status of Actions Taken in Fiscal Year 2020 and Reports with Open/Undecided Recommendations

Status of Actions Taken in Fiscal Year 2020

Status	Number of Reports	Number of Recommendations
Number of Reports/Recommendations Issued During October 1, 2019 – September 30, 2020	37	206
Number of Reports/Recommendations Closed During October 1, 2019 – September 30, 2020	34	108
Number of Reports/Recommendations Open or Undecided as of September 30, 2020	110	393

Reports with Open and/or Undecided Recommendations

Report Number	Report Title	Publication Date	# of Open / Undecided Recommendations
N2008-0005	Military and Civilian Suitability Screening	11/13/2007	1
N2010-0020	Development and Utilization of Alternative Fuel Vehicle Program Infrastructure at Selected Department of Navy Installations	03/26/2010	8
N2011-0004	Management of Navy Unit Identification Codes	10/22/2010	5
N2011-0019	Organizational-Level Maintenance of U.S. Navy Aegis-Equipped Ships	01/27/2011	1
N2011-0039	Quality of Life Plans for United States Marine Corps Forces Relocating from Okinawa to Guam	05/27/2011	1
N2012-0002	Marine Corps Small Arms Accountability	10/20/2011	5
N2012-0017	Suicide Crisis Links and/or Phone Numbers on Department of the Navy Web Sites	01/30/2012	3
N2012-0018	Department of the Navy Fiscal Years 2009 and 2010 Reimbursable Orders at Selected Fleet Activities	02/1/2012	1
N2012-0027	Commander, Navy Installations Command Safety and Occupational Health Workplace Inspections	03/22/2012	1
N2012-0039	Department of the Navy Civilian Drug-Free Workplace Program - Compliance	05/02/2012	12
N2012-0048	Reporting of Navy Maritime Fuel Consumption	06/21/2012	5
N2012-0049	Financial Management of the Navy Department Employees' Recreation and Welfare Fund	06/21/2012	8
N2012-0058	Accounting and Reporting of Marine Corps and Navy Fuel Consumption for Tactical Ground Units	08/08/2012	2
N2013-0020	Summary of Audits of Department of the Navy Fuel Consumption Reporting	04/05/2013	1
N2013-0023	Controls and Oversight for United States Marine Corps Fuel Storage Tanks	04/12/2013	3
N2013-0049	Department of the Navy Tax Exempt Commercial Lodging	09/27/2013	1
N2014-0005	Naval Sea Systems Command and Affiliated Program Executive Offices' Management Oversight for Select Acquisition Category III and IV Programs	12/19/2013	1
N2014-0009	Navy Urinalysis Program for Military Personnel	02/18/2014	3
N2014-0019	Navy's Real Property Inventory - Naval Facilities Engineering Command Hawaii	04/22/2014	2
N2014-0039	Internal Controls over the Supply Requisition, Receipt, and Disposition Process at School of Infantry West	09/04/2014	1
N2015-0002	Summary of Naval Audit Service Real Property Inventory Audits	10/29/2014	1
N2015-0006	Hazardous Material and Atmosphere Control Program Aboard Submarine	12/09/2014	1
N2015-0022	Department of the Navy Readjudication Process	05/29/2015	1

Report Number	Report Title	Publication Date	# of Open / Undecided Recommendations
N2015-0035	Internal Controls over Selected Processes at Explosive Ordnance Disposal Expeditionary Support Unit One, Civil Engineering Support Equipment Department	09/10/2015	1
N2015-0038	Background Check Process for Navy Child and Youth Program Childcare Providers	09/16/2015	1
N2016-0016	Antiterrorism Force Protection - Security Force Personnel on Naval District Washington Installations	12/30/2015	1
N2016-0017	Internal Controls Over the Marine Corps Civilian Law Enforcement Program	01/06/2016	1
N2016-0028	Personal Property Accountability at Naval Air Systems Command	05/02/2016	2
N2016-0029	Department of the Navy Military Overseas Suitability Screening and Civilian Overseas Processing Program	05/11/2016	3
N2016-0038	Approval of Marine Corps Travel Vouchers in the Defense Travel System	06/30/2016	5
N2016-0041	Summary of Naval Audit Service Ammunition and Explosives Storage Facilities Audits	07/25/2016	1
N2016-0051	Internal Controls Over Sensitive Support Processes in the Integration Support Directorate, and the Reliability of Financial Reporting (Classified)	09/09/2016	1
N2016-0053	Management of Real Property Outgrants - Naval Facilities Engineering Command Southwest	09/20/2016	4
N2016-0056	Navy Officer Diversity and Inclusion Training	09/26/2016	3
N2017-0003	Availability of Documentation To Support the Valuation of Recently Acquired Navy Real Property	11/29/2016	1
N2017-0004	Technology Readiness Assessments at Marine Corps Systems Command and Affiliated Program Executive offices	12/08/2016	1
N2017-0007	Ticket Operations at Selected Marine Corps Community Services Information, Tickets, and Tours Offices	01/13/2017	1
N2017-0009	Notification Capabilities at Select Naval Education and Training Center Schoolhouses and Student Barracks within Commander, Navy Region Southeast and Commander, Navy Region Mid-Atlantic	01/13/2017	1
N2017-0015	Marines with Drug Incidents and the Security Clearance Process	03/27/2017	5
N2017-0020	Marine Corps Systems Command Program Manager for Training Systems Use of Appropriated Funds for Training Systems Contracts	5/11/2017	1
N2017-0021	Marine Corps Accountability of Issued Ammunition	05/31/2017	4
N2017-0027	Naval Undersea Warfare Center and Naval Surface Warfare Center Divisions' Sustainment, Restoration, and Modernization Process and Project Management	06/16/2017	2
N2017-0028	Security Equipment for Navy Security Forces Personnel at Selected Installations within Commander, Navy Region Southwest	06/20/2017	1
N2017-0036	Management of Personally Identifiable Information at Naval Shipyards	08/17/2017	2
N2017-0038	Defense Travel System - Commander, U.S. Pacific Fleet	08/22/2017	1
N2017-0040	Receipt and Acceptance of Goods and Services Purchased at Selected Commands within Marine Corps Installations - West	08/29/2017	5
N2017-0045	Antiterrorism Force Protection - Commander, Navy Region Mid-Atlantic Security Force Personnel	09/26/2017	2
N2018-0004	Followup On "Reporting of Safety Mishaps" Audit Recommendations	11/01/2017	4
N2018-0008	Navy Reservist Non-Participants	11/29/2017	4
N2018-0012	Government Commercial Purchase Card Program at Navy Engineering Logistics Office (Classified)	01/11/2018	3
N2018-0014	The Navy's Sustainment Budget Estimates and Allocation for Selected Navy Activities	01/30/2018	4
N2018-0016	Marine Corps Financial Data for Operation Freedom's Sentinel	02/02/2018	3
N2018-0021	Navy Data Strategy	03/08/2018	2
N2018-0022	Marine Corps Child and Youth Program Immunization Verification	03/12/2018	3
N2018-0028	Security Equipment for Navy Security Forces Personnel at Selected Installations within Commander, Navy Region Mid-Atlantic	04/02/2018	1

Report Number	Report Title	Publication Date	# of Open / Undecided Recommendations
N2018-0030	Execution, Financial Management, and Oversight of Classified Programs and Activities Supported by a Classified Activity (Classified)	04/20/2018	2
N2018-0032	Internal Controls Over the Training of International Military Students Provided by the Department of the Navy	05/03/2018	1
N2018-0033	Navy Small Arms Accountability at Selected West Coast Commands	05/05/2018	2
N2018-0035	Training Requirements for the Department of the Navy's Safety and Occupational Health Personnel	05/17/2018	10
N2018-0040	U.S. Marine Corps Temporary Disability Retired List: 18-Month Periodic Physical Examinations and Followup on Prior Naval Audit Service Reports	06/07/2018	1
N2018-0043	Suicide Crisis Links and/or Phone Numbers on Marine Corps Web Sites Followup	06/15/2018	2
N2018-0044	Security Equipment for Navy Security Forces Personnel at Selected Installations Outside the Continental United States	06/27/2018	5
N2018-0045	Navy Accountability of Issued Ammunition	07/24/2018	1
N2018-0054	United States Marine Corps Military Construction Projects Proposed for Fiscal Year 2020	09/19/2018	1
N2019-0002	Department of the Navy's Insider Threat Program	10/12/2018	2
N2019-0007	Management of Personally Identifiable Information at Selected Commander, U.S. Pacific Fleet Activities	12/17/2018	3
N2019-0008	Antiterrorism and Force Protection for Navy Recruiting Stations	12/18/2018	1
N2019-0013	Department of the Navy Husbanding and Port Services Provider Program	01/09/2019	2
N2019-0014	Marine Forces Pacific Flying Hour Program	01/16/2019	2
N2019-0023	Technology Readiness Assessments at Space and Naval Warfare Systems Command and Affiliated Program Executive Offices	02/20/2019	2
N2019-0025	Physical Security of U.S. Navy Museums Located Outside Installation Fence Lines	03/14/2019	1
N2019-0026	Naval Criminal Investigative Service's Special Operations Fund Account	03/15/2019	3
N2019-0027	Navy Reserve Contract Field Teams	03/27/2019	3
N2019-0028	U.S. Marine Corps Civilian Employee Time and Attendance	03/29/2019	4
N2019-0029	Followup on Information Security Within the U.S. Marine Corps	04/02/2019	11
N2019-0030	U.S. Marine Corps (Budget Submitting Office 27) Major Headquarters Activities Reduction Plan	04/11/2019	1
N2019-0031	Followup Audit for Controls Over Military Interdepartmental Purchase Requests for Service and Product Acquisitions Across Department of the Navy Assistant for Administration Activities and Field Offices	04/16/2019	5
N2019-0032	Implementation of Naval Computer and Telecommunications Station Far East Continuity of Operations Planning Capability	05/07/2019	12
N2019-0033	Civilian Mariner Salary Cash Disbursements at Military Sealift Command	05/14/2019	1
N2019-0042	Sailors with Drug Incidents and the Security Clearance Process	08/26/2019	6
N2019-0043	United States Marine Corps Marine and Family Training Programs	08/27/2019	6
N2019-0045	Summary of Navy Industrial Base Infrastructure	08/28/2019	2
N2019-0047	Followup of Controls over Government Commercial Purchase Card Program for Service and Product Acquisitions across Department of the Navy/Assistant for Administration Activities and Field Offices	09/03/2019	3 ^a
N2019-0048	Condition of Navy Research, Development, Test and Evaluation Facilities	09/13/2019	1
N2019-0049	Contractor Base Access at Commander, Navy Region Japan	09/18/2019	4
N2020-0001	Veterans Crisis Line Link for Suicide Prevention on Navy Web Sites	10/02/2019	2
N2020-0002	Timely Materials Availability for Maintenance and Repair of Navy Facilities	10/08/2019	20
N2020-0003	Naval Criminal Investigative Service Port Visit Support Program Impact on Force Protection Vulnerabilities for Selected Ship Visits at Ports Outside the Continental United States	10/11/2019	5
N2020-0005	Accountability Over Cash and Other Monetary Assets at Selected Navy Personnel Support Detachments Outside the Continental United States	11/06/2019	4
N2020-0006	Navy Public Private Venture Military Base Housing	11/06/2019	8

^a 3 of 3 recommendations are undecided as of 30 September 2020.

Report Number	Report Title	Publication Date	# of Open / Undecided Recommendations
N2020-0007	Accountability Over Night Vision Devices at Selected Department of the Navy Commands	11/20/2019	2
N2020-0008	Chemical, Biological, Radiological, and Nuclear First Responder Preparedness	12/06/2019	11 ^b
N2020-0009	Department of the Navy Base Operating Support Contract at Public Works Department U.S. Naval Academy, Annapolis	01/06/2020	1
N2020-0010	Navy Aviation Incentive Pay	01/06/2020	2
N2020-0011	Naval War College Professors' Travel Expenditures	01/16/2020	2
N2020-0012	U.S. Marine Corps Public-Private Venture Military Base Housing	01/24/2020	8
N2020-0013	Navy Cyber Defense Operations Command Continuity of Operations Plan	01/28/2020	2
N2020-0015	Contractor Base Access at Selected Outside the Continental United States Installations (Commander, Navy Region Europe, Africa, Central)	02/20/2020	8 ^c
N2020-0016	New Weapons Platforms Infrastructure Integration	03/10/2020	7
N2020-0017	United States Marine Corps Military Construction Projects Proposed for Fiscal Year 2021	03/20/2020	2
N2020-0018	Emergency and Extraordinary Expense Funds at the Office of Naval Intelligence	03/26/2020	3
N2020-0019	Department of Navy's Use of Cybersecurity Reciprocity Within the Risk Management Framework	04/09/2020	4
N2020-0021	Personally Identifiable Information at Navy Exchanges	05/14/2020	2
N2020-0022	Department of the Navy Civilian Time and Attendance for Navy Reserve Duty	05/14/2020	13
N2020-0023	Sufficiency of Law Enforcement Training for Navy Security Forces Personnel	05/22/2020	2
N2020-0031	U.S. Marine Corps Civilian Employee Overtime In California	08/14/2020	3
N2020-0032	Protection of Personally Identifiable Information at Selected United States Marine Corps Commands	08/14/2020	17
N2020-0035	Internal Controls Over Morale, Welfare, and Recreation Program Onboard the USS John C. Stennis	09/24/2020	5
N2020-0036	Navy's Housing Allowances within Navy Region Europe, Africa, Central	09/30/2020	12 ^d
N2020-0037	Submarine Cybersecurity Inspections and Assessments	09/30/2020	6
110	TOTAL OPEN REPORTS		
		TOTAL OPEN RECOMMENDATIONS	393

^b 1 of 11 recommendations are undecided as of 30 September 2020.

^c 1 of 8 recommendations are undecided as of 30 September 2020.

^d 3 of 12 recommendations are undecided as of 30 September 2020.

Questions/Suggesting Future Audits

If you have any questions about audits in this Annual Audit Plan, or would like to suggest ideas for/request future audits, please use the following contact information:

E-mail: NAVAUDSVC.AuditPlan@navy.mil

Mail: Naval Audit Service
Attn: Executive Director
1006 Beatty Place SE.
Washington Navy Yard, Building 219
Washington, DC 20374-5005

Naval Audit Service Website

To find out more about the Naval Audit Service, including general background, and guidance on what clients can expect when they become involved in research or an audit, visit our Web site at:

<http://www.secnav.navy.mil/navaudsvc>

Executive Summary

- The Secretary of the Navy approved a budget that incorporates 60% budget cut in FY 2022 and an additional 10% budget cut in FY 2023 for the Naval Audit Service. This results in a total personnel cut of 203, reducing the Naval Audit Service budget to \$23 million and associated end strength from 290 to 87. The Naval Audit Service is budgeted to remain at reduced funding/end-strength through 2026. At that level, Naval Audit Service will not be able to accomplish its mission to provide Department of the Navy senior leadership with independent and objective audit and investigative support services targeted to improve program and operational efficiency and effectiveness while mitigating risk.
- The Naval Audit Service is the only independent, internal audit agency within the Department of the Navy.
- The Auditor General of the Navy has sole responsibility for auditing within the Department of the Navy, and serves as the principal advisor to the Secretary of the Navy, Under Secretary of the Navy, Chief of Naval Operations, and Commandant of the Marine Corps on all audit-related matters.
- Naval Audit Service published 290 audit reports and 59 investigative assist reports between FY 2016 - FY 2020. Department of the Navy senior leadership level requested nearly 50 percent of these engagements. These reports resulted in hundreds of recommendations; Department of the Navy leadership agreed with nearly 100 percent of the recommendations.
- Naval Audit Service identified over \$422 million in Potential Monetary Benefits over the last 5 years; Department of the Navy management agreed with nearly 100 percent of the amount identified. With an average annual budget of \$45 million per FY during that timeframe, the Naval Audit Service identified Potential Monetary Benefits over 1.5 times the amount necessary to operate the agency each year.
- Naval Audit Service assists Federal and Department of the Navy investigative agencies in identifying fraud, and numerous prosecutions have relied on evidence collected and analyzed by Naval Audit Service auditors. Between January 2015 and September 2020, Naval Audit Service auditors identified and/or quantified approximately \$67.7 million in potential fraud during 43 investigative assists.
- The FY 2020 Naval Audit Service authorized end-strength was 290, significantly less than the Army and Air Force Audit Agencies, authorized at approximated 500 and 640, respectively). Further, the Naval Audit Service is responsible for auditing two military branches (Navy and Marine Corps), rather than one.

FY 2020 End Strength/Budget Reduction Summary

At the start of FY 2020, the Department of the Navy mandated a reduction in authorized end strength to 300 funded billets for the Naval Audit Service. This reduction was a significant contrast to the President's Budget, which authorized an end strength of 332 for FY 2020. In the 2nd Quarter of FY 2020, the Department of the Navy mandated an additional cut to Naval Audit Service, resulting in an authorized end strength of 290 funded billets for the remainder of the fiscal year.

On September 18, 2020, the Auditor General of the Navy received notification, via email, from the Office of the Assistant Secretary of the Navy for Financial Management and Comptroller that budget reductions were approved and were reflected in the FY 2022 Budget Estimate Submission to the Department of Defense Comptroller. While other Department of the Navy Secretariat-level offices realized an average reduction of 3.6% per year, the Naval Audit Service reduction was 60% in FY 2022 and another 10% in FY 2023. This extreme reduction will reduce the agency from 290 employees to 87 employees and reduce funding commensurate to the personnel cuts.

On September 19, 2020, the Auditor General sent a memo to Secretary of the Navy, Chief of Naval Operations, and Commandant of the Marine Corps strongly expressing our position that the cuts are a misguided and poor business decision for the Department of the Navy. Despite repeated attempts for a meeting with the Secretary, the Auditor General has yet to speak to him personally regarding the cuts. However, the Auditor General was granted a meeting with the Secretary's Chief of Staff (September 22) and the Acting Under Secretary of the Navy (October 16). In subsequent communication, the Auditor General was informed that the Acting Under Secretary, Assistant Secretary of the Navy for Financial Management & Comptroller (PTDO), and Under Secretary of Defense (Comptroller)/CFO (PTDO) fully supported the reduction. The Secretary of the Navy-approved budget submission, which included the drastic cuts to the Naval Audit Service, was submitted to the Office of the Secretary of Defense on/about 13 October 2020.

About the Naval Audit Service

The Naval Audit Service is the only independent auditing office within the Department of the Navy. As the Department of the Navy internal auditors, Naval Audit Service auditors assist Department managers in effectively managing the risks the Department faces toward achieving its strategic objectives and those that arise from its activities and operations. By objectively reviewing the Department's internal control environment as part of all audits performed, the Naval Audit Service can assess efficiency and operating effectiveness, and provide assurance that the Department is complying with policies and procedures and that its processes are adequate in fulfilling their purpose and mitigating risks. In support of our sailors, marines, civilians, and families, we conduct audits that cover a wide-range of subject areas, including financial management, acquisition, healthcare, readiness, manpower, cybersecurity, and antiterrorism/force protection. The Naval Audit Service also provides nonaudit services, such as support to Naval Criminal Investigative Service investigations.

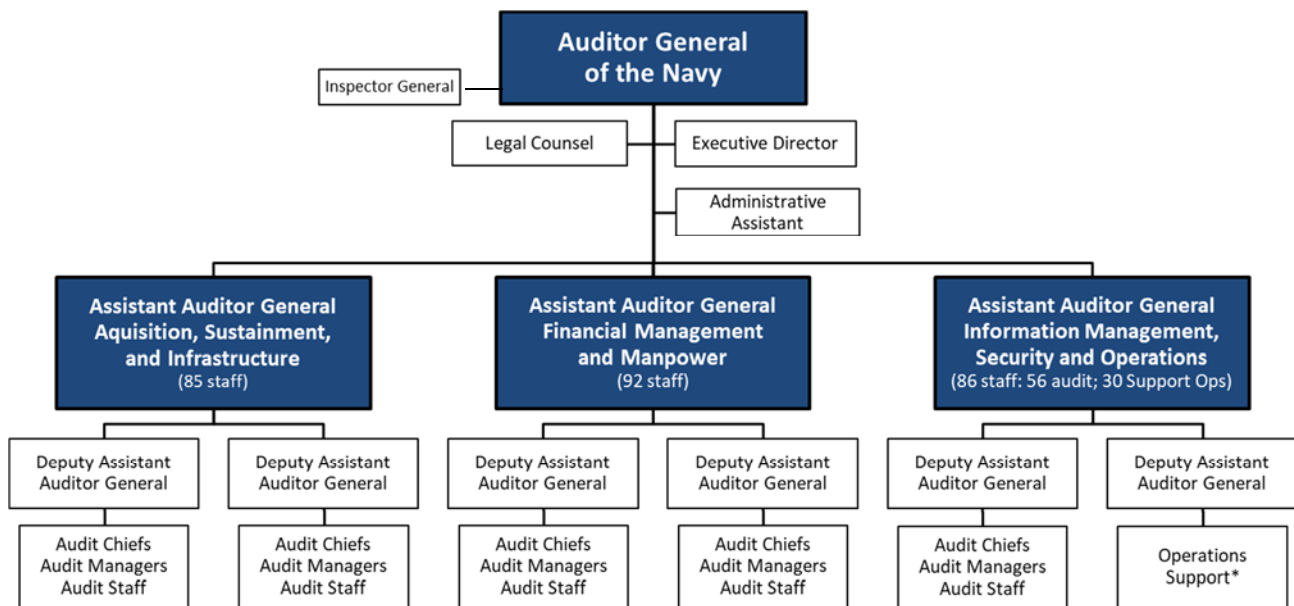
NAVAL AUDIT SERVICE

November 13, 2020

The Naval Audit Service is led by a civilian Auditor General of the Navy, which is a U.S.C Title X position. The Auditor General has sole responsibility for auditing within the Department of the Navy, and serves as the principal advisor to the Secretary of the Navy, Under Secretary of the Navy, Chief of Naval Operations, and Commandant of the Marine Corps on all audit-related matters.

The Naval Audit Service is headquartered at the Washington Navy Yard in Washington, DC, and has field offices in Norfolk, VA, and San Diego, CA. As of 13 November 2020, Naval Audit Service had 270 personnel onboard, 92% of which are auditors; the remaining 8% provide support functions such budgeting, workforce management, information technology, editing, and facilities management.

Due to a recent reduction in end-strength in FYs 2019 and 2020, the Naval Audit Service reorganized to a structure that allows for more efficient and effective management of resources and work commitments. An organizational chart as of 13 November 2020 is below.



* Operations Support includes Audit Policy, Editing, Audit Liaison and Recommendation Tracking, Statistics, Data Analysis, Budget, Human Resources, and Facilities Management.

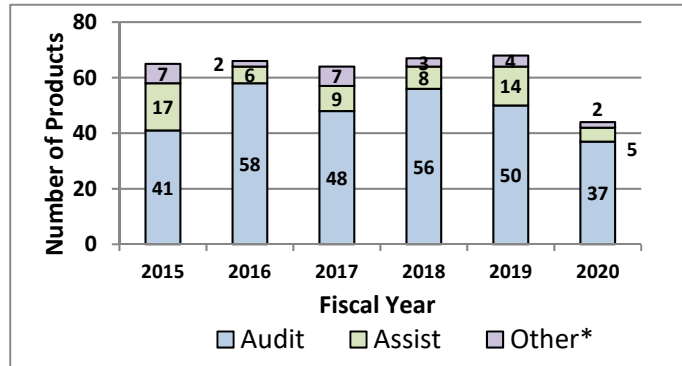
Comparison to Army and Air Force Audit Agencies

The Department of the Navy authorized end-strength for the Naval Audit Service in FY 2020 was 290, significantly less staff than the Army and Air Force Audit Agencies. At the end of FY 2020, Army and Air Force Audit Agencies were authorized approximately 500 and 640, respectively. Even with the significantly reduced staff size, the Naval Audit Service is responsible for auditing two military branches (Navy and Marine Corps) rather than one, and the Department of the Navy budget is the largest of the three military departments.

Productivity

During FY 2015 - FY 2020, the Naval Audit Service published 290 audit reports and 59 investigative assist reports. Nearly 50% of the engagements were requested by Department of the Navy senior leadership at the Flag Officer and Senior Executive Service level. Table 1 provides details.

Table 1: Reports Issued by Type and FY



*"Other" Products Include: Fraud Referral Letters, Desk Reviews, Peer Reviews, Internal Quality Control Reviews

Identified Potential Monetary Benefits

Potential Monetary benefits (PMB) are benefits from audits that can be expressed in monetary terms. There are two types of PMB:

- (1) questioned costs, such as an unsupported or disallowed cost; and
- (2) funds put to better use, such as deobligation of funds or cost avoidance.

In FY 2015 - FY 2020, Naval Audit Service auditors identified over **\$422 million** in PMB; Department of the Navy management agreed with nearly 100 percent of the amount identified. Table 2 provides details. With an average annual budget of \$45 million per FY during that timeframe, the Naval Audit Service identified PMBs over 1.5 times the amount necessary to operate the agency.

Historically, most Naval Audit Service audits with PMBs identify funds that could be used more efficiently by implementing the audit recommendations; the reprogramming allows Department of the Navy management to support other mission critical projects.

Table 2: Potential Monetary Benefits: FYs 2015 – 2020

Fiscal Year	Claimed (\$M)	Agreed-to (\$M)
2015	\$34.9	\$34.9
2016	\$15.8	\$23.7
2017	\$31.7	\$31.7
2018	\$97.1	\$1,997.0
2019	\$47.1	\$47.1
2020	\$195.4	\$195.4
TOTALS	\$422.1	\$2,329.8

Additionally, there were a few instances where, when implementing audit recommendations, Department of the Navy management was able to identify additional funds that could be put to better use. For example, in FY 2018, the U.S. Marine Corps notified NAVAUDSVC that as a result of our audit work (Naval Audit Service Report "*Marine Corps War Reserve Levels*" (N2013-0041; 28 Aug 2013), the Marine Corps realized a \$1.9 billion savings by avoiding unnecessary procurement of war reserve materiel.

Fraud Prevention/Detection Efforts

In addition to audits, Naval Audit Service auditors also collaborate with investigative agencies, such the Naval Criminal Investigative Service and Defense Criminal Investigative Service, to support their investigations. Between January 2015 and September 2020, Naval Audit Service auditors identified and/or quantified approximately \$67.7 million in potential fraud during 43 investigative assists.

Most of the potential fraud is associated with contract fraud, product substitution, and false claims. For example, Naval Audit Service auditors found:

- a contract in the amount of \$13.8 million that was improperly sole-sourced;
- loss of \$1.4 million due to product substitution;
- potentially fraudulent Traumatic Servicemembers' Group Life Insurance benefit payments totaling \$575,000.

Naval Audit Service Customers

As the sole entity within the Department of the Navy responsible for auditing within the Navy and Marine Corps, Naval Audit Service audits cover activities and commands throughout the entire Department. During FY 2015 - FY 2020, the Naval Audit Service issued 290 reports containing recommendations addressed to over 150 customers. A sample listing of customers is provided in Table 3.

Table 3: Sample of Naval Audit Service Customers

Assistant Secretaries of the Navy	Commander, Navy Installations Command
Deputy Commandants of the Marine Corps	Chief, Naval Reserve
Commander, U.S. Fleet Forces Command	Chief, Bureau of Medicine and Surgery
Commander, U.S. Naval Forces Europe-Africa	Chief Information Officer
Commander, Navy Region Southwest	Commander, Naval Sea Systems Command
Director, Naval Intelligence Agency	Navy Warfare Development Command
Director, Naval Safety Center	Superintendent, U.S. Naval Academy
Commander, Military Sealift Command	Commander, Naval Education and Training Command

What Naval Audit Service Customers Are Saying

After completion of each audit, the Naval Audit Service seeks feedback from audit recommendation addressees and audit requestors related to areas such as value-added results, communication, timeliness, knowledge and professionalism of auditors, and timeliness. The Naval Audit Service has historically received high marks from respondents; in FY 2020 recommendation addressees rated the Naval Audit Service a 4.6 (on a scale of 5) and audit requestors rated the Naval Audit Service a 4.8 (on a scale of 5). Excerpts from the comments section of the survey are below.

Navy Public-Private Venture Military Base Housing (N2020-006; published 11/6/2019)

*"The audit team was **transparent** with the process and forthcoming with insights, questions, and ideas."*

*"The audit findings have been **instrumental in identifying opportunities for improving Navy oversight** or privatized housing projects and programs and support to residents."*

Department of the Navy Civilian Time and Attendance for Navy Reserve Duty (N2020-0022; published 5/14/2020)

*"Audit provides useful information and **provided insight** into a pay area where the command did not have visibility on. There is definitely gaps and seams on this subject matter."*

Allocation of Depot Maintenance Workload Between Public and Private Sectors at Naval Supply Systems Command (N2020-028; published 8/3/2020)

*"The lines of communication between the Audit Team and the NAVSUP team was continually open. Questions, concerns, uncertainties, and decisions were addressed in a timely manner. Everyone was on the same page throughout the audit. The final audit report is **clear, concise**, and written in a positive tone. There were no surprised (sic) found in final audit report that conflicts with any discussion in the Exit Conference or subsequent conversations"*

U. S. Marine Corps Civilian Employee Overtime in California (N2020-0031; published 8/14/2020)

*"Overall a very **professional** experience in the conduct of this audit."*

Submarine Cybersecurity Inspections and Assessments (N2020-0037; published 9/30/2020)

*"The discussions during and at the draft report phase of the audit was handled very well with our Subject Matter Experts and will **benefit** all who have a concern with this particular issue."*

*"The report is well designed and easy to pick out the items of interest for each action element. The fact that our SME's concurred with their recommendations indicated that they a **very thorough job** of identifying certain needs."*

*"This was very helpful in **identifying the real problems and best solutions.**"*

Comparison of Audit Organizations

Naval Audit Service is the internal auditor for the Department of Navy (DON). Internal audit is that part of an organization that provides an objective, unbiased review of the organization's processes, systems, operations and outcomes with the goal of improving the organization and helping it mitigate risk. By its nature, internal auditing is an ongoing and continuous process that results in an objective assessment of the operational processes or activities of the organization.

The audits conducted by NAVAUDSVC are determined by the Department's management (Under Secretary/Secretary) in the form of an approved annual audit plan. NAVAUDSVC solicits input from other DON senior leadership for topics considered high risk prior to submitting the plan for approval,

affording senior leadership the opportunity to identify high risk areas and request assistance from the auditors and shape the annual audit plan. Internal audit reports are sent to management (Under Secretary/Secretary and DON Senior Leaders). NAVAUDSVC does provide GAO and DODIG copies of reports so they can avoid duplicating NAVAUDSVC audits.

While internal audit must maintain a degree of independence in order to provide objective and unbiased recommendations and comply with Generally Accepted Government Auditing Standards, NAVAUDSVC still reports to the Under Secretary/Secretary and is considered part of the organization. Therefore, internal audit organizations, both in the public and private sector, cannot render an opinion on financial statements, with the following exception: NAVAUDSVC is currently conducting a financial statement audit of the Polaris Trust fund and has conducted financial statement audits of the Navy Home(s) in the past.

Department of Defense Inspector General (DoD IG) is the primary external auditor for the DoD. It reports and answers to the President and Congress, not the Department. While the DON can request the DoDIG to look at a particular area, the DoDIG is under no obligation to respond to any DON requests. The DoDIG develops its audit plan internally and the DON has limited visibility into the subject matter of planned work, the timeframes or the number of audits. In addition to its plan, the DoDIG can be “tasked” by Congress to audit/investigate areas of congressional concern. The DoDIG is required, by law, to provide copies of every report to Congress as well as to the head of the agency audited. The DoDIG is the financial statement auditor for the DoD; however, they usually relegate this function to IPAs through contracting actions while maintaining oversight and final approval of the financial statement audits. The DoDIG also does performance, internal control and compliance audits, attestations, and prospective analysis as well as criminal and non-criminal investigations. In discussing the proposed cuts to NAVAUDSVC, the Acting Inspector General, DoD, stated that DoDIG would not be able to pick up all the work and audits currently performed by NAVAUDSVC.

Government Accountability Office (GAO) is the investigative arm of Congress. It is tasked by Senators and Representatives to conduct audits in pursuit of answers to questions or requests for information. Audit duration depends on the timeframe and scope provided by the requestor. Executive branch agencies have little, if any, input into the areas audited and GAO does not provide an annual audit plan to the agencies. The audit reports are provided to Congress directly, with copies provided to the agencies audited. GAO is authorized to audit an all-encompassing range of topics, from financial statements to compliance to program performance.

Independent Public Accountants (IPAs) conduct financial statement audits only. Major focus is the accuracy of the financial statements in reporting what an organization spent its funds on (as reflected through the valuation of inventory, property and services) and the controls the organization has in place to ensure the use of funds can be tracked and recorded correctly in the financial records of the organization. Valuation is achieved through an examination of contract documents, invoices, payroll data, physical existence of assets, cost assigned to assets, etc.

The IPA is NOT looking at: 1) whether or not programs are operating effectively and efficiently or accomplishing their desired goals; 2) whether or not an organization paid too much for an asset or service; 3) whether or not an organization overpaid a contract, invoice or employee; 4) whether or

not an organization properly administers contracts, or 5) whether or not an organization has the resources, training, personnel, programs and policies to accomplish its mission. The IPA is concerned with tracing the funds coming into an organization, the flow through the acquisition/expenditure processes, recording of what was obtained, and the ending balance of funds.

The results of an IPA audit are an opinion on the DON's financial statements and related information only and are reported both within the organization and outside the organization to the Administration and Congress.