

FY 2022

Department of the Navy

STATEMENT *of* ASSURANCE



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Message from the Under Secretary of the Navy



The United States requires a strong Navy and a strong Marine Corps. Our global economy and the self-determination of free nations everywhere, especially in the Indo-Pacific, depend on sea power, including the ability to project power ashore. The Navy and Marine Corps must deliver integrated deterrence by campaigning forward - from the sea, to the shore, and in the air. To achieve this, it is imperative Department of the Navy (DON) leaders - at every level - identify, measure, and communicate risks to our operational objectives.

Our ability to provide DON leaders with timely, accurate insight into risks informs critical operational and financial decisions and enables effective risk mitigation. The DON must continually improve its business operations to ensure the most efficient and accountable use of resources for our enduring priorities: strengthening our maritime dominance, empowering our people, and strengthening our strategic partnerships.

At the strategic level, the DON's Enterprise Performance Management Framework (EPMF) is standardizing how we identify performance measures and track achievement of the DON's most critical strategic goals in support of the National Defense Strategy. This year, the DON commenced its Integrated Risk Management (IRM) program with the goal of consolidating, analyzing, and presenting risk and internal control-related data about strategic business risk to DON senior leaders. The IRM program emphasizes the importance of internal controls over business operations and systems that impact the Fleet, Sailors, Marines, and our civilian workforce. Together, IRM and EPMF will ensure DON leaders have the tools to manage strategic risk with confidence and can course correct when necessary. Under IRM, we assess risk across the full range of DON business operations and systems.

While IRM supports strategic risk management directly, DON leaders also need quality insights into operational performance to ensure mission success. Initiatives like the Get Real, Get Better framework and Learning to Action Board empower our people to drive exceptional performance from the deck plate and improve the ability of leaders to manage risk.

The accomplishments listed in this report illustrate our progress in strengthening our internal control environment. This year, the DON implemented several initiatives to improve governance over budget and financial execution by putting better data into leaders' hands. Discipline in financial management activities is critical to operational readiness and these measures help us maximize every dollar to support mission objectives while acting as a sound financial steward for U.S. tax dollars. Finally, to increase the quality of data across operational domains and prioritize high-value analytics over the maintenance and support of less secure, less capable systems, the DON continued to consolidate its IT environment and retire legacy systems.

Although there is more work to be done, our Navy-Marine Corps team has accelerated its progress in bringing holistic, timely, quality risk and performance insights to the attention of our leaders. You'll see that our efforts are much broader and deeper, as we continue our steadfast pursuit of Department of the Navy enduring priorities.

A handwritten signature in black ink that reads "Erik K. Raven".

Erik K. Raven, Under Secretary of the Navy

INTRODUCTION

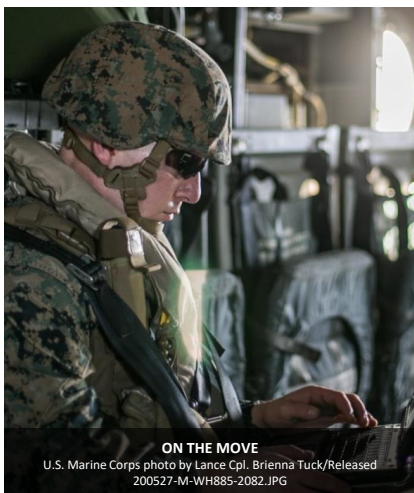
The Department of the Navy (DON) is committed to reforming our business operations to strengthen stewardship of tax dollars and optimize the resources entrusted to us by U.S. citizens. The Statement of Assurance (SOA) is the DON's annual report on the effectiveness of internal controls in mitigating the risks to DON business and mission support objectives. This report describes how the DON is remediating deficiencies while addressing strategic risks. For information on the DON, its mission and organizational structure, the roles and responsibilities of the individual fleet and shore commands, the Department's financial statements, and reports of the independent financial statement auditors, please see the most recent DON Agency Financial Report here:

<https://www.secnav.navy.mil/fmc/fmo/Pages/Financial-Reports.aspx>.

FY 2022 STATEMENT OF ASSURANCE

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) and the Office of Management and Budget Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control" (OMB Circular No. A-123), require each federal agency to evaluate its accounting systems and administrative controls for compliance with the current laws, regulations, and reporting standards. The FMFIA also requires Management to provide signed statements each Fiscal Year (FY) on whether internal controls achieve its intended objectives, and if not, to prepare a report identifying weaknesses and the timelines for planned remediation. Lastly, the Department of Defense (DoD) requires that each military Service and Defense organization submit conclusions on specific aspects of its controls.

To form a conclusion on the effectiveness of the DON's internal controls, the DON considers information obtained through several enterprise-wide initiatives: (1) Certification Statement process executed by DON's Certifying Organizations through their Integrated Risk Management (IRM) program, (2) testing results from DON-wide integrated testing¹ and external audits performed by independent auditors, (3) Entity Level Control (ELC) Assessment², and (4) Fraud Risk Assessment³. As presented by the Secretary of the Navy (SECNAV) in [Appendix A](#) of this report, the DON reported the following conclusions based on its internal evaluation:



- **Internal Control over Reporting - Operations:** Reasonable Assurance, except for six reported material weaknesses and no significant deficiencies.
- **Internal Control over Reporting - Financial Reporting:** No Assurance, due to twelve reported material weaknesses and two significant deficiencies.
- **Internal Control over Reporting - Financial Systems:** No Assurance, due to three reported material weaknesses.
- **Entity Level Controls, including fraud controls:** Reasonable Assurance for Design, except for one reported material weakness for Oversight and Monitoring.

A material weakness over reporting is a significant deficiency impacting internal or external decision-making. A material weakness over operations may include the following conditions:

¹ Assessed key controls around Civilian Payroll, Military Payroll, Government Purchase Cards, General Equipment (Aircraft and Vessels), Uninstalled Aircraft Engines, and Real Property; corrective action plans have been developed for any identified issues. Conducted IT testing of select audit relevant systems for Financial Reporting and General Ledger, Military Pay, Contract Writing, and select asset segments; deficiencies were noted across material weakness areas including Access Controls/Segregation of Duties and Configuration Management.

² Results indicated that ELCs are designed effectively to address the DON's mission and objectives.

³ Results determined the DON is within its risk tolerance for four of the nine areas assessed.



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- Impact the effectiveness of ELCs
- Impair fulfillment of essential operations or mission
- Deprive the public of needed services
- Significantly weaken established safeguards against fraud, waste, loss, unauthorized use, or misappropriation of funds, property, other assets or conflicts of interest

A significant deficiency is defined as a lack of or a combination of deficiencies in internal controls that are less severe than a material weakness, yet important enough to merit attention by those charged with governance. A significant deficiency determined to be important enough to report externally is considered a material weakness. Finally, a control deficiency exists when the design, implementation, or operation of a control does not allow management or personnel (in the normal course of performing their assigned functions) to achieve control objectives and address related risks. Reportable deficiencies in the DON's internal controls environment are provided in [Appendix B](#) of this report.

INTEGRATED RISK MANAGEMENT



DROPPING IN
U.S. Marine Corps photo by Cpl. Diana Jimenez/Released 220224-M-NT377-2479.JPG

In FY 2022, the DON began implementation of IRM. IRM is the DON's approach to integrating its Enterprise Risk Management and Internal Control over Reporting (A-123) programs to strengthen strategic risk management across the enterprise with a more comprehensive view of risks that may impact multiple business processes and mission domains.

To promote a more holistic understanding of strategic risk across the enterprise, IRM requires DON senior leaders to evaluate operational risks and controls for business operations alongside financial reporting risks and financial systems instead of evaluating these areas through separate channels. As DON IRM matures, the DON will leverage existing operational risk management initiatives to inform the integrated risk assessment. These initiatives include:

- Perform to Plan
- Get Real Get Better
- CNO NAVPLAN Implementation
- Learning to Action Board

Senior leaders rely on high-quality data to evaluate and respond to risk. With data quality as a driver, the DON has continued to develop a scalable enterprise Governance, Risk, and Compliance (eGRC) technology platform. The eGRC tool streamlines IRM assessments and data calls and supports continual monitoring of the DON's strategic risk environment by making data, dashboards, and analytics readily available to governance bodies and decision-makers instead of archived in spreadsheets.

INTEGRATED RISK MANAGEMENT (CONT'D)



The DON began a phased roll-out of eGRC in FY 2022 with organizations participating in enterprise-wide internal controls testing. In FY 2023, eGRC will expand to include risk assessment, Entity Level Controls, and user testing information, which will help senior leaders confirm that SECNAV strategic goals and objectives are actively and fully addressed alongside local mission objectives.

In addition to the eGRC platform, the DON is in the process of designing a dynamic Enterprise Performance Management Framework (EPMF) to measure progress towards the SECNAV’s strategic goals and objectives and the SECDEF’s Strategic Management Plan (SMP). The EPMF will enhance the ability of DON senior leaders to track the achievement of the Department’s strategic goals and will ultimately enable real-time, data-informed decision-making. It will also help inform the DON Risk Profile, which prioritizes the most significant risks faced by the DON in achieving its strategic objectives and assists leaders in identifying appropriate options for addressing significant risks and opportunities. In line with the DON’s approach to IRM and focus on achieving its strategic objectives, the table below provides representative examples of the DON’s FY 2022 achievements towards the SECNAV’s enduring priorities.

STRATEGIC ACCOMPLISHMENTS

SECNAV FOCUS AREAS	STRATEGIC ACCOMPLISHMENTS
Expand Forward Presence: Prioritize China as the Pacing Challenge	MAINTAINING MARITIME DOMINANCE IN DEFENSE OF OUR NATION
	DON maintained advantage at sea by continuing to field the most capable Navy assets to the Indo-Pacific area of responsibility such as continued increase in forward deploying/operating F-35B and F-35C Squadrons, significantly increasing integrated deterrence and response capabilities.
	USMC aligned Force Design 2030 investments to deliver the capabilities and capacity required to implement the National Defense Strategy and deliver distributed maritime and littoral operations in a contested environment.
	Actively engaged as a Stand-In Force, USMC operated alongside allies and partners, inside an adversary’s weapons engagement zone, to deter adversaries and act as the eyes and ears of the Fleet and Joint Forces.
	Established the first Marine Littoral Regiment, a unit uniquely designed to maneuver and persist inside a contested maritime environment with the primary mission of conducting sea denial operations.

STRATEGIC ACCOMPLISHMENTS (CONT'D)

SECNAV FOCUS AREAS	STRATEGIC ACCOMPLISHMENTS
MAINTAINING MARITIME DOMINANCE IN DEFENSE OF OUR NATION	
Enhance Warfighting Readiness: Address Advanced and Persistent Threats	<p>DON continued development and fielding of unmanned systems to reduce operational risk and mitigate threats. Platforms such as Extra Large Unmanned Underwater Vehicle, Large Unmanned Surface Vessel, MQ-4C Triton, and MQ-25 Stingray support integrated deterrence and strengthen warfighting readiness.</p> <p>USMC invested in equipment modernization to advance integrated deterrence by optimizing the Marine Corps for the demands of future naval expeditionary warfare requirements.</p> <p>Continued divestment of legacy capability and capacity not aligned to the future threat and reallocated savings into warfighting investment priorities.</p> <p>Established the Navy's Strategy Coordination Cell (SC2) to identify, analyze and mitigate challenges presented by advanced, persistent threats to the U.S. warfighting advantage.</p> <p>Executed CNO's Navigation Plan 2022 which aligns the Navy's vision with the most up-to-date strategic guidance, to include the 2022 National Defense Strategy and the Secretary of the Navy's Vision. It outlines how the Navy is uniquely positioned to strengthen integrated deterrence, campaign forward, and build enduring warfighting advantages. This update also supports these lines of effort by driving a Fleet-wide movement to strengthen the Navy's learning culture and advancing a framework to accelerate its warfighting advantage. The NAVPLAN Implementation Framework (NIF) brings accountability, focus, and alignment to Navy efforts to accelerate warfighting advantage in this critical decade. The NIF consists of 18 objectives in four areas: readiness, capabilities, capacity, and our Sailors. It sets the foundational strategy for achieving NAVPLAN outcomes in a structured way to achieve each objective in a specific, time-bound, measurable manner.</p>
Innovate and Modernize: IT Infrastructure	<p>Integrated the Cross-Application Segregation of Duties (SOD) remediation approach with the FY 2022 DON Chief Information Officer Information Technology General Controls Strategy to reduce the risk associated with Access Controls and SOD MWs and improve cybersecurity.</p> <p>Continued to enhance the Advana/Jupiter platform and associated applications to transform the DON's ability to leverage quality data from across business processes and systems to inform strategic decision making. In FY 2022, the DON has greatly improved data timeliness, making the platform and associated enterprise tools capable of rapid scalable applications.</p> <p>Simplified the DON general ledger system environment, by issuing guidance and successfully decommissioning two legacy general ledger systems.</p> <p>Continued investment in robotic process automation to automate DON financial operations tasks and allow personnel to focus on high-value analytical tasks. To date, 142 bots are deployed, which has resulted in the redirection of an estimated 100,000 yearly labor hours to value-added analytics. More than 61 bots are in development.</p>

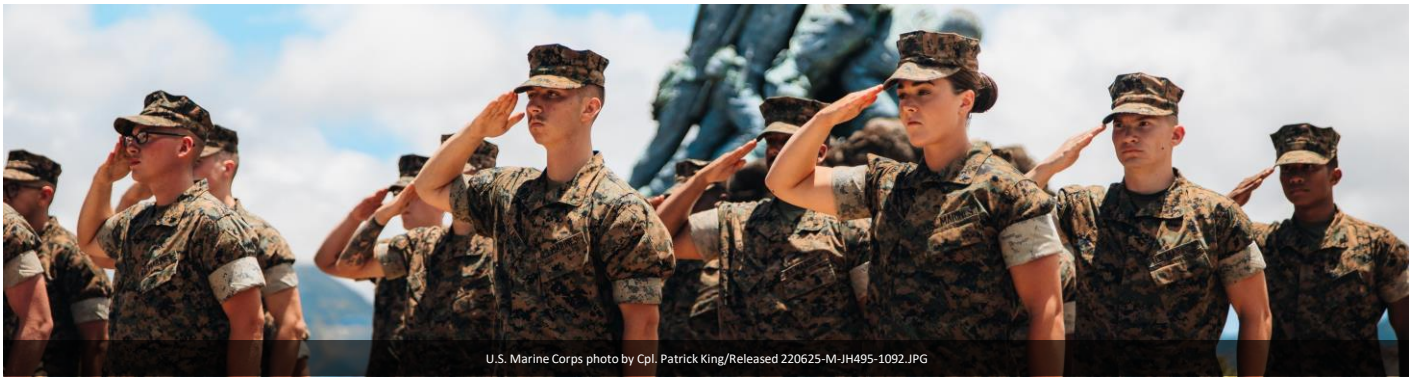
STRATEGIC ACCOMPLISHMENTS (CONT'D)

SECNAV FOCUS AREAS	STRATEGIC ACCOMPLISHMENTS
MAINTAINING MARITIME DOMINANCE IN DEFENSE OF OUR NATION	
Innovate and Modernize: EPMF	Developed EPMF framework by analyzing OSD draft Performance Goals, aligning the SECNAV strategy to the draft DOD SMP, developing a process to identify DON-specific Performance Measures, and establishing a Continual Process Improvement Community of Practice to help socialize best practices across the DON.
Tackle the Climate Crisis: Climate Initiatives	The DON's Climate Change Working Group (CCWG) engaged organizations from across the enterprise on climate change topics including planning, programming, budgeting, impacts to public health, and energy and water resilience initiatives.
Tackle the Climate Crisis: EPMF Pilot	Utilized the EPMF framework in collaboration with the DON's CCWG to establish a historical baseline for greenhouse gas emissions from DON installations and developed dashboard visualizations for installation energy consumption.
EMPOWERING OUR PEOPLE	
Grow Our Talent & Ensure Accountable Leadership	The DON demonstrated its ongoing commitment to advancing Diversity, Equity, and Inclusion (DEI) by developing two very innovative and progressive tools, the Underrepresentation Framework and DEI Maturity Model to examine underrepresentation and the efficacy of DEI capability, DON-wide. The Underrepresentation Framework is an innovative analytical modeling tool that uses authoritative data sources to assess whether minority groups are fairly represented in our workforce. The maturity model will enable the DON to assess the effectiveness of DEI efforts and capabilities. In FY 2022, the DEI maturity model pilot generated a comprehensive technical report and validated that the DEI assessment criteria, qualitative/quantitative data, and overall framework are practical and effective. As it matures, the DON DEI model will result in transformative and meaningful improvement to policy, talent management, operational capabilities, and culture.
	Implemented Marine Corps Talent Management Reform to transform processes and systems that support Force Design 2030, creating a more resilient, agile, and innovative military/civilian team.
	Executed Marine Corps 21st Century Learning initiatives to change the training and education continuum to an information age model supporting a highly trained and educated force in to build competitive advantages over strategic competitors.
	Equipping and training personnel to help support mental health and suicide prevention for Sailors, Marines, and Civilians is a top priority of DON leadership at all levels. The DON launched a suicide prevention campaign in April 2022, comprising 10 significant courses of action, each with monthly milestones running through September 2023. The DON will issue its first ever DON suicide prevention instruction in 2023.
	SECNAV issued the DON's No Wrong Door Policy which helps ensure any victim of sexual assault, sexual harassment, or domestic abuse receives appropriate care and support either through a DON victim care and support office or, with permission, through a warm hand-off to an appropriate service provider. Created the Safe to Report Policy that details processes to ensure a service member victim who reports a sexual assault cannot be disciplined for minor collateral misconduct.

STRATEGIC ACCOMPLISHMENTS (CONT'D)

SECNAV FOCUS AREAS	STRATEGIC ACCOMPLISHMENTS
EMPOWERING OUR PEOPLE	
Grow Our Talent & Ensure Accountable Leadership (Cont'd)	<p>Announced the Get Real, Get Better Campaign on 11 January 2022. Get Real is about having the courage to self-assess, to build teams that embrace honest, hard, transparent looks at our performance to understand our actual strengths and shortcomings. We must be our own toughest critics. Get Better is about a commitment to improve, to be self-correcting. It's about taking pride in high standards and fixing problems together when they're small, before they grow large and complex. It's about applying proven methods to get after the things that matter most, in a focused and disciplined way, and not by just adding activity.</p> <p>Utilized the Perform to Plan (P2P) initiative which is a driver-based management and analytical approach to improving business within the Navy. P2P leverages an industry-proven "driver-based performance management" approach, coupled with advanced analytics, to bring transparency, accountability, accelerated learning, and data-driven decision-making to the Navy. P2P ushered in a different school of thought for leadership—laser-like focus on high-leverage performance improvement opportunities that directly impact mission performance outcomes. Through applying P2P's driver-based management and analytical modeling, Navy senior leaders have witnessed how data-informed decision-making transforms conversations and yields tangible results. While celebrating the early success of P2P, the Navy recognizes the need to continue to scale P2P to all levels of the organization, sharing its tools and learnings with all ranks to improve mission performance output.</p>
STRENGTHENING STRATEGIC PARTNERSHIPS	
Join Forces with Our Allies and Partners	<p>Established an enhanced trilateral security partnership between Australia, the United Kingdom, and the U.S., to assist Australia with establishing a conventionally armed, nuclear-powered submarine capability.</p> <p>Conducted trilateral carrier operations in the Mediterranean Sea between the USS Harry S. Truman Carrier Strike Group (CSG), French carrier Charles de Gaulle's Task Force 473, and Italian carrier Cavour. Command of the USS Harry S. Truman CSG passed from the US Navy's Sixth Fleet to NATO, marking a significant command-and-control event and projecting power at sea in the face of Russia's aggression.</p> <p>Operating alongside allies and partners strengthened integrated deterrence capabilities and reach. This was exemplified by Marine Corps' historic deployment aboard the United Kingdom's HMS Queen Elizabeth to conduct F-35B Joint Strike Fighter operations.</p> <p>Conducted theater security cooperation events and combined exercises across multiple theaters to strengthen regional partnerships and improve interoperability with allies and partners, with over 30,000 Marines forward stationed/forward deployed in over 50 countries around the globe.</p>

STRATEGIC ACCOMPLISHMENTS (CONT'D)



SECNAV FOCUS AREAS	STRATEGIC ACCOMPLISHMENTS
STRENGTHENING STRATEGIC PARTNERSHIPS	
Join Forces with Our Allies and Partners (Cont'd)	Operated alongside allies and partners during the 26-nation Rim of the Pacific exercise in Hawaii involving 38 warships, four submarines and thousands of military personnel. These drills are the world's largest and are held biennially.
	Operated alongside our NATO allies during Baltic Operations exercise (BALTOPS 22), demonstrating alliance resolve when faced with the unprovoked Russian invasion of Ukraine.
Work in Partnership with Our Nation	DUSN (I&S) and OPNAV N2 worked together to coordinate six Intelligence Sharing and Intelligence Collection Agreements with foreign partners. The classified intelligence and collection agreements will strengthen strategic partnerships, improve maritime superiority, and enable US National Security priorities.
	USMC Established the Marine Innovation Unit within our Reserve Component to complement the work of the Marine Corps Warfighting Laboratory by accelerating advanced technology development, integrating research in multiple advanced disciplines into Force Design and related efforts.
	Launched a Learning to Action Board (L2AB). The L2AB tests whether recommended actions and corrective measures remain in effect over time. This will provide a structure, process, and forum to drive accountability for implementing and assessing approved recommendations through Fleet, Type Command, and Systems Command ownership. The L2AB is currently meeting to address findings of the Command Investigation and the Major Fires Review following the fire aboard the USS Bonhomme Richard.

REMEDIATION PROGRESS

The DON remediates preexisting and emerging material weaknesses and significant deficiencies based on senior leadership strategic priorities outlined in the DON's Audit Roadmap and aligned with SECNAV priorities. The DON's progress in remediating operations material weaknesses and significant deficiencies is highlighted in the following table.

REMEDIATION PROGRESS (CONT'D)

SECNAV FOCUS AREAS	OPERATIONS REMEDIATION PROGRESS
Information Systems	Improved the DON cybersecurity posture through the implementation of Naval Identity Services (NIS) Identity, Credential, and Access Management (ICAM) solution to provide a federated provisioning/de-provisioning solution. This solution reviews accesses for over 80,000 Navy ERP users and conducts timely account terminations and transfers to mitigate the risk of unauthorized systems access.
Data Protections	Published updated policy on “Acceptable Use of DON IT and SECNAV Cybersecurity Manual” requiring commanders and supervisors to ensure access to DON IT systems and network architecture require Public Key Infrastructure-based authentication. The DON continues to address and deploy Privileged Account Management via CyberArk as part of the NIS ICAM solution.
Controlled Unclassified Information	Published the “Processing of Electronic Storage Media for Disposal” directive to establish governance over policy adherence, implementation, and internal controls to address deficiencies in the proper handling of records containing Personally Identifiable Information.
Hazardous Noise	Closed significant deficiency as a result of remediation efforts. Clarified roles & responsibilities, implemented oversight controls, and identified Acquisition processes for developing protections to meet our warfighters needs for operating in Hazardous Noise levels.

A key focus of DON business transformation is to improve its financial management reporting systems, processes, and accountability, which play a role in nearly all of the DON's business operations and missions. The DON Financial Management Strategy aligns directly with SECNAV's Enduring Priorities and outlines five strategic goals to guide investment in the DON's Financial Management workforce, standardization of DON business processes, discipline and transparency in the budgeting process, execution of financial operations in modern and secure IT systems, and production of accurate financial data and analytics to support leadership decisions. The DON's progress in remediating financial reporting material weaknesses and significant deficiencies is highlighted below.

SECNAV FOCUS AREAS	FINANCIAL REPORTING REMEDIATION PROGRESS
U.S. Marine Corps (USMC) Systems Migration	USMC migrated its core financial management system SABRS to Defense Agency Initiative (DAI) in FY 2022 which will allow the Marine Corps to address several existing audit deficiencies. USMC began efforts to improve the ability of field supply and maintenance analysis offices to address financial and operational risks that significantly impact the Marine Corps financial audit. USMC refined business processes and improved internal controls, which resulted in favorable testing results by its Independent Public Accountant over real property and military equipment and led to auditable accountability baselines in those areas. This allows Marine Corps to focus accountability and valuation efforts for different business activities.

REMEDIATION PROGRESS (CONT'D)

SECNAV FOCUS AREAS	FINANCIAL REPORTING REMEDIATION PROGRESS
Fund Balance with Treasury (FBwT)	Implemented improved oversight and control procedures, covering suspense accounts, deposit accounts, in transit transactions and Statement of Difference. From FY 2020 to FY 2022, the DON reduced suspense account balances by 95% and disbursing office Statement of Differences by 56% to amounts that are both immaterial to DON's FBwT. Additionally, the monthly FBwT reconciliation has been successfully migrated to Advana.
Operating Material & Supply (OM&S) and Inventory Focus: Uninstalled Aircraft Engine (UAE)	Refined engine transaction reporting processes and controls to sustain accountability of Engine Propulsion System/Modules (EPSM) reported on Navy's balance sheet. Developed and implemented processes for reporting the value of EPSMs held for repair and developed and executed financial reporting processes and controls to properly report EPSMs deemed excess, obsolete, or unserviceable.
OM&S and Inventory Focus: Navy Working Capital Fund-Supply Management Inventory	Completed Phase 1 of a multi-year, inventory audit campaign, which remediated and validated controls at 31 Naval Supply Systems Command inventory sites worth \$4.3 billion. The DON is already experiencing improvements, evidenced by increased inventory accuracy rates through internal testing from 77.2% in FY 2021 to 97.9% in FY 2022 at Phase 1 sites.
Vessels & Aircraft	Sustained Aircraft and Vessels baseline valuations by completing budget-based baseline valuations of approximately 352 vessels (valued at \$300 billion) and approximately 3,700 aircraft (valued at \$190 billion) through FY 2020 deliveries. Implemented compliant valuation methods using actual costs, including Research, Development Test and Evaluation (RDT&E) and procurement costs for FY 2021-2022 delivered vessels and aircraft to assert to opening balances on 30 September 2022. Implemented financial reporting processes and controls to properly account for vessels that had been stricken but not yet disposed, resulting in revaluation of approximately 60 vessels and 1,400 aircraft.
Real Property	Designed valuation controls and processes to capture the full cost of real property assets in construction, identify capital improvements, and identify the impairment of real property assets. Implemented a process to capture all changes in real property assets that impact the value reported for Navy real property.
Budget Execution	<p>Launched the Commanders Enterprise Resource Management Council (CERMC) to improve resource management and help fully utilize resources in the active year of execution. The CERMC's objective is to use data driven dashboards to provide insights into DON's budgetary execution and funds management.</p> <p>Revised the annual resource allocation process for the Department's input to the Annual President's Budget Request. New procedures ensure that all DON policies comport with SECNAV guidance and translate into requirements that are affordable and minimize strategic risk. This initiative has improved dialog between senior civilian and military leadership teams and resulted in resource assessments that better support decisions about the modernization of Navy and Marine Corps forces in support of the Nation's strategic objectives.</p>
Financial Reporting	<p>Leveraged Robotic Process Automation to download trial balance, financial statements, and notes to support Wage Accrual Lookback Analysis. Additionally, automated the Contingent Legal Liabilities reconciliation process saving 48 hours quarterly.</p> <p>Launched the Financial Execution and Reporting Management Council to ensure the completeness, accuracy, and validity of financial information used by DON Comptrollers and senior leaders.</p>

REMEDIATION PROGRESS (CONT'D)

SECNAV FOCUS AREAS	FINANCIAL REPORTING REMEDIATION PROGRESS
Environmental and Disposal Liabilities	Implemented and validated procedures and strengthened controls for environmental liability estimation for Aircraft, Environmental Restoration, Base Realignment and Closure, and Other Accrued Environmental Liabilities programs. This included a significant adjustment to align with accounting requirements. These actions strengthened DON's ability to produce and validate estimates and ensure proper recording. Processes associated with Vessels and Spent Nuclear Fuel have moved to sustainment, based on the closure of all associated auditor findings.

FUTURE PERSPECTIVE

The significant accomplishments and remediation efforts outlined in this report illustrate the DON's progress in addressing material weaknesses and significant deficiencies identified through its operational channels and financial audit. Just as important are the DON's initiatives to improve the quality and relevance of risk, internal control, and performance data prepared for DON senior leaders to support decisions that impact readiness across all operational areas.

The DON will continue to improve its overall readiness and ability to address persistent and emerging threats to national security by refining the quality and timeliness of data used in decision making across business operations, financial reporting, and financial systems disciplines. Moving forward, the DON will use its eGRC tool to prioritize strategic risks and collect, analyze, and report information from across the Department. Performance information from the EPMF will inform IRM and help DON organizations perform continual risk monitoring in a more efficient and targeted manner.

DON-wide internal controls testing will continue to remediate findings in areas with the greatest impact on strategic goals, enterprise readiness, and operational excellence. A greater number of DON organizations will begin to conduct and document testing using the eGRC tool, which will significantly increase the efficiency of testing and reporting procedures across the Department.

This year, the DON Audit Roadmap was updated to emphasize the most material balances on the DON's financial statements, identify external dependencies, and reflect realistic goals for priority remediation areas based on input from DON senior accountable officials and the Navy's independent public accountant. In addition, Audit Roadmap reporting was automated and is now accessible to stakeholders in real-time. The granularity and scope of this reporting will continue to evolve with leadership needs and will provide a single source of truth to OSD and other financial audit and IRM stakeholders.

The DON is continually working to improve its internal control environment and manage the strategic risks that imperil its mission and business objectives. The progress made this year, especially to improve the quality and relevance of data used by DON senior leaders will ensure continued success in executing the Navy's enduring priorities well into the future.



APPENDIX A

SECRETARY OF THE NAVY STATEMENT OF ASSURANCE MEMO



THE SECRETARY OF THE NAVY
WASHINGTON DC 20350-1000

September 30, 2022

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Annual Statement of Assurance for Fiscal Year 2022, Required Under the Federal Managers' Financial Integrity Act of 1982

As Secretary of the Navy, I recognize the importance of managing the Department of the Navy (DON) risks and maintaining effective internal controls to comply with Sections 2 and 4 of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). The DON conducted its risk and internal control assessment in accordance with the Office of Management and Budget Circular Number A-123 (OMB Circular No. A-123), "Management's Responsibility for Enterprise Risk Management and Internal Control;" and Government Accountability Office 14-704G (GAO-14-704G), "Standards for Internal Control in the Federal Government" (the "Green Book").

During the past fiscal year, the DON made significant progress remediating financial statement audit findings and improving related business processes, not just to accelerate obtainment of an audit opinion, but because we know financial management excellence strengthens warfighter readiness. Integrating improved financial and support operations is a force multiplier for the U.S. Navy-Marine Corps team. From an operational perspective, the Navy implemented initiatives such as the "Get Real, Get Better" framework and the Learning to Action Board; both empower our people to drive exceptional performance from the deck plate and improve leaders' abilities to identify and manage risk. With respect to financial systems, the DON continued to simplify its general ledger system environment, successfully moving off of two additional legacy general ledger systems this fiscal year. Finally, we continued to build and act on our audit roadmap foundation to accelerate remediation of financial audit priorities. Leveraging the integration of financial and support operations efforts, the DON is maintaining its sense of urgency to make palpable forward progress, instill the excellence needed to earn a positive financial statement audit opinion, and support our Sailors and Marines.

The DON conducted its assessment of the effectiveness of Internal Controls Over Reporting – Operations in accordance with OMB Circular No. A-123, the "Green Book", and the FMFIA. Based on the results of the assessment, the DON can provide reasonable assurance, except for the six material weaknesses (MWs) reported in the "Fiscal Year 2022 Department of the Navy Material Weaknesses and Significant Deficiencies" attachment, that internal controls over operations and compliance were operating effectively as of September 30, 2022. Although these MWs may have impacted efficiency, the DON continues to be able to meet its mission to support the warfighter and remain combat ready.

The DON conducted its assessment of the effectiveness of Internal Controls Over Reporting – Financial Reporting, to include internal and external financial reporting, in

accordance with OMB Circular No. A-123, Appendix A. This assessment also included an evaluation of the internal controls around our Security Assistance Accounts activities. Based on the results of the assessment, the DON is unable to provide assurance that internal controls over reporting (including internal and external reporting) and compliance are operating effectively due to the twelve MWs and two significant deficiencies reported in the "Fiscal Year 2022 Department of the Navy Material Weaknesses and Significant Deficiencies" attachment as of September 30, 2022.

The DON conducted an internal review of the effectiveness of the Internal Controls Over Reporting – Financial Systems in accordance with FMFIA and OMB Circular No. A-123, Appendix D. Based on the results of the assessment, the DON is unable to provide assurance that the internal controls over the financial systems are in compliance with FMFIA, Section 4; FFMIA, Section 803; and OMB Circular No. A-123, Appendix D, due to three MWs, as of September 30, 2022 reported in the "Fiscal Year 2022 Department of the Navy Material Weaknesses and Significant Deficiencies" attachment.

The DON assessed the design of Entity Level Controls (ELCs), including fraud controls, in accordance with the Section 10.09 the "Green Book", OMB Circular No. A-123, the Payment Integrity Information Act of 2019, and GAO Fraud Risk Management Framework. Based on the results of the assessment, the DON can provide reasonable assurance, except for one MW, that ELCs, including fraud controls, are designed effectively as of September 30, 2022.

The DON is hereby reporting that no Anti-Deficiency Act violations were discovered/identified during our assessments of the applicable processes.

My point of contact for any questions regarding the Statement of Assurance for fiscal year 2022 is Ms. Mobola Kadiri, who may be reached at (571) 256-2670 or mobola.a.kadiri.civ@us.navy.mil.


Carlos Del Toro

Attachment:
As stated

APPENDIX B

MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES

DEFICIENCY	TYPE	TARGETED REMEDIATION DATE
Hazardous Noise (SD)*	Internal Control Over Reporting – Operations	Downgraded to a Control Deficiency
Property in the Possession of Contractors		Aug. 2025
Complex IT Environment		Nov. 2025
Military Pay and Personnel (MILPAY)		Sep. 2028
Depot Level Maintenance		Jun. 2025
Oversight and Monitoring		Oct. 2025
Data Protection		Dec. 2022
Contingent Legal Liabilities (SD)*	Internal Control Over Reporting - Financial Reporting	Downgraded to a Control Deficiency
Environmental and Disposal Liabilities*		Downgraded to a Significant Deficiency
Fund Balance with Treasury (FBwT) Reconciliations		Jun. 2024
Operating Materials & Supplies - Ordnance		Sep. 2026
General Equipment - Remainder: Existence and Completeness		May 2025
Budgetary Execution		Sep. 2027
Order-to-Cash (O2C) Process		Aug. 2024
Accounts Payable		Sep. 2025
Traceability and Supportability of Foreign Military Sales Transactions		Feb. 2026
Inventory		Sep. 2026
Property, Plant, & Equipment Valuation		Sep. 2024
Property, Plant, & Equipment Utilities (SD)		Sep. 2023
Operating Materials & Supplies (OM&S) - Remainder		Sep. 2026
Procure-to-Pay (P2P) Process		Dec. 2025
Financial Reporting		Sep 2027
Information Systems Configuration Management	Internal Control Over Reporting - Financial Systems	Sep. 2026
Information Systems Interfaces		Sep. 2026
Information Systems Access Controls/Segregation of Duties		Sep. 2026

(SD) Denotes significant deficiency

*Denotes change in status from FY 2021



FY 2022

Department of the Navy

STATEMENT *of* ASSURANCE