ASMC Professional Development Institute 2019: Reflecting the Mission

Auditors General Panel
Current Issues

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NAVAL AUDIT SERVICE

WHO WE ARE

- NAVAUDSVC is led by the Auditor General of the Navy, and is assisted by the Deputy Auditor General, and four Assistant Auditors General
- NAVAUDSVC is comprised of approximately 290 civilian employees located in Washington, DC (headquarters); Norfolk, VA; and San Diego, CA
- Funded at approximately $47 million
  - 95% of the budget is for civilian salaries
  - 5% is for training, travel, and other support costs

 WHAT WE DO

- NAVAUDSVC provides independent and objective audit services and products to assist Department of the Navy leadership in assessing risk to improve efficiency, accountability, and program effectiveness
**INTERNAL CONTROL & ENTERPRISE RISK MANAGEMENT**

*Risk* is the effect of uncertainty on objectives.

**Enterprise Risk Management**
- Is a discipline that addresses the full spectrum of an organization’s risks and integrates them into an enterprise-wide, strategically aligned portfolio view.
- Contributes to improved decision-making and supports the achievement of an organization’s mission, goals, and objectives.

*Internal Control* is a process that provides reasonable assurance that the objectives of an entity will be achieved.

*In other words, things you do to make sure good things happen and bad things don’t.*

*Internal Control System* is a continuous built-in component of operations, effected by people, that provides reasonable assurance, not absolute assurance, that an entity’s objectives will be achieved.

**Outcomes:**
- An increased likelihood of successfully delivering on agency goals and objectives.
- Fewer unanticipated outcomes encountered.
- Better assessment of risks associated with changes in the environment.
**Sufficiency of U.S. Naval Academy Infrastructure**

*Why the Audit was Conducted*
USNA identified a lack of infrastructure resources as high risk in the DON FY2017 Risk and Opportunity Assessment

*Audit Objective*
To verify that the condition of USNA infrastructure is sufficient for meeting its mission goals.

*Results*
Identified deficiencies in facility conditions, configurations, and system components, to include:
- Water leaks and intrusion
- Deteriorating facilities, structures, and piers
- Outdated facility layouts
- Aged facility components (e.g. HVAC systems)

*Audit Scope*
Selected 13 unfunded CNIC Sustainment, Modernization, and Restoration (SRM) projects from the December 2016 Naval Support Activity Annapolis Capital Improvements Plan

*Potential Impact*
- Hindrances to executing the academic and physical fitness mission
- Loss of academic accreditation
- Safety and health hazards and regulatory violations

Could lead to long-term negative impacts on the heritage and reputation for USNA and the DON
DON’S HUSBANDING AND PORT SERVICES PROVIDER (HSP) PROGRAM

**Why the Audit was Conducted**
Follow-up to 2014 NAVAUDSVC audit requested by SECNAV in response to high-profile case involving alleged fraudulent activities conducted by Glenn Defense Marine Asia contractors and Navy officials.

**Audit Objective**
To verify that (1) processes and internal controls over management, execution, and oversight of the Navy HSP are in place, functioning effectively, and in compliance with laws and regulations; and (2) agreed-to corrective actions on closed recommendations in the prior NAVAUDSVC HSP report were properly implemented.

**Audit Results**
Navy made progress in addressing weaknesses identified during 2014 audit, however significant weaknesses remain:
- Process for determining port visit requirements does not sufficiently identify actual quantities needed or specific items required.
- NAVSUP Contracting Officers did not determine what services could be provided and relied on contractor proposed port costs without validation.
- Surveillance was not always conducted or documented to support the receipt and payment of goods and services.

**Audit Scope**
- Reviewed 47 unique port visits spanning across all Numbered Fleet Commands
  - Observed 10 live port visits
  - Conducted interviews and file reviews
- Reviewed 61 HSP contracts valued at $1.7B to determine sufficiency of quality assurance surveillance plans, contract requirements, and modifications.

**Potential Impact**
- Navy is at risk of receiving a modified opinion on their financial statements.
- Navy cannot provide assurance that it acquired necessary goods and services, or received the goods or services for which it paid.
- Navy is vulnerable to fraud, waste, abuse, and mismanagement.
Why the Audit was Conducted
BUMED identified pharmacy controlled substance inventory as a high risk in the DON FY2018 Risk and Opportunity Assessment.

Audit Objective
To verify that internal controls over expired or unusable controlled drugs were operating as intended at selected Navy Military Treatment Facilities (MTFs)

Results
Internal Controls not operating as intended
- Expired/unusable drugs may not be properly accounted for or disposed of
- Inventory management process was not conducted as required
- Internal controls to prevent diversion were not operating as intended

Audit Scope
16 MTFs and branch clinics within Navy Medicine East (NME), to include
- Naval Health Clinic Annapolis, MD
- Naval Health Clinic Patuxent River, MD
- Naval Medical Center Camp Lejeune, NC
- Branch Health Clinic Dahlgren, VA,
- Branch Health Clinic Indian Head, MD

Potential Impact
Management did not have reasonable assurance that all expired or unusable controlled drugs were accounted for or properly disposed
- Increased potential for fraud, waste, and abuse to go undetected/undeterred
- Increased risk for diversion of controlled drugs
- Increased risk of Sailors obtaining/abusing controlled drugs not prescribed to them
# Time & Attendance at Naval Shipyards

## Why the Work Was Conducted
ASN (FM&C) requested a review of the time and attendance procedures at Naval Shipyards.

## Objective
To review the time and attendance procedures at Naval Shipyards.

## Results
All four of the Naval Shipyards reviewed had:
- Procedures to account for time and attendance
- Supervisors using similar procedures to record, attest, and certify time and attendance
- Implemented and executed the new manual employee attestation requirements for employees

## Scope
Time and attendance procedures and newly implemented procedures during October and November 2018 at four Naval Shipyards.

## Potential Impact
ASN (FM&C) has for each of the four Naval Shipyards:
- An awareness of current time and attendance procedures
- Specific information for decision making