Canc frp: Mar 2013

OPNAVNOTE 5200
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26 Mar 2012

OPNAV NOTICE 5200

From: Chief of Naval Operations

Subj: FISCAL YEAR 2012 MANAGERS' INTERNAL CONTROL PROGRAM
      REPORTING REQUIREMENTS

Ref: (a) SECNAVINST 5200.35E
      (b) SECNAV M-5200.35 of Jun 2008
      (c) OPNAVINST 5200.25D
      (d) ASN (FM&C) FMO memo 5200 of 27 Feb 2012

Encl: (1) CNO Assessable Units
      (2) Submission Requirements and Procedures for FY12
           Certification Statement
      (3) CNO Assessable Unit Budget Submitting Offices

1. Purpose. To establish the Fiscal Year 2012 (FY12) Managers'
Internal Control Program (MICP) reporting requirements and
procedures for Office of the Chief of Naval Operations (OPNAV)
principal officials (OPOs) and Chief of Naval Operations (CNO)
echelon 2 commands.

2. Background. References (a), (b) and (c) provide policy and
guidance for the establishment and proper maintenance of the
MICP. Reference (d) is guidance to the CNO for submission of
the FY12 Managers' Internal Control Certification Statement
(CS).

3. Policy

    a. All CNO echelon 2 commands and OPOs (less CNO special
assistants) are required to submit a CS signed by the head of
the organization or principal deputy. Enclosure (1) provides a
list of CNO Assessable Units required to submit a CS to CNO.
The CS, along with supporting enclosures, provides an assessment
as to whether there is reasonable assurance that:

(1) Programs are achieving their intended results;

(2) Resources are being used consistent with the Department of the Navy (DON) mission;

(3) Programs and resources are protected from waste, fraud, and mismanagement;

(4) Laws and regulations are being followed; and

(5) Reliable and timely information has been obtained, maintained, reported and used for decision making.

b. All echelon 2 commands and OPOs should review the material weaknesses (MWs), reportable conditions (RCs), and item to be revisited (IR) (appendices A, B, and C, respectively, of enclosure (2)), with a view towards assessing the internal controls in place at their respective organizations for any subject that pertains to them. For example, the protection of privacy information is an IR directed at a particular command; however, all Navy organizations have privacy related information and should review their internal controls to ensure they are in compliance with the program's requirements.

4. Submission Requirements. Enclosure (2) contains specific procedures for submission of the CS. Reference (c) requires all budget submitting offices (BSOs) to include certification of internal controls over financial reporting and internal controls over integrated financial management systems in the CS. Enclosure (3) provides a list of CNO assessable units that have associated BSOs.

5. Due Date. CSs are due to CNO (Director, Navy Staff (DNS)) by 25 May 2012 as mandated by reference (c). It is important that this deadline be met in order to allow for adequate OPNAV staff review by resource sponsors, command assist officials, and other appropriate OPNAV organizations, and to ensure submission is among the number reported to Secretary of the Navy (SECNAV).

6. Reports Control. OPNAV Report Control Symbol (RCS) 5200-6 has been assigned to the reporting requirements contained in this notice.

7. <u>Cancellation Contingency</u>. This notice will remain in effect for 1 year or until superseded, whichever occurs first.

J. M. BIRD
Vice Admiral, U.S. Navy
Director, Navy Staff

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CNO Assessable Units

OPNAV PRINCIPLE OFFICIALS (Less Special Assistants):
Surgeon General of the Navy (N093)[1]
Chief of Naval Reserve (N095)[2]
Chief of Navy Chaplains/Director of Religious Ministries (N097)
Deputy CNO for Manpower, Personnel, Education, and Training (N1)[3]
Deputy CNO for Information Dominance (N2/N6)
Deputy CNO for Fleet Readiness and Logistics (N4)
Deputy CNO for Operations, Plans, and Strategy (N3/N5)
Deputy CNO for Integration of Capabilities and Resources (N8)
Deputy CNO for Warfare Systems (N9)

OPERATING FORCES:
Commander, U.S. Fleet Forces Command (COMUSFLTFORCOM)
Commander, U.S. Pacific Fleet
Commander, U.S. Naval Forces Europe
Commander, U.S. Naval Forces Central Command
Commander, U.S. Naval Forces Southern Command
Commander, Operational Test and Evaluation Force
Commander, Navy Reserve Force
Commander, Naval Special Warfare Command
Commander, U.S. Fleet Cyber Command

HEADQUARTERS/SHORE COMMANDS:
Superintendent, United States Naval Academy (USNA)
Commander, Naval Air Systems Command
Commander, Naval Education and Training Command
Commander, Naval Facilities Engineering Command
Director, Field Support Activity
Director, Naval History and Heritage Command
Commander, Navy Installations Command (CNIC)
Commander, Office of Naval Intelligence
Commander, Naval Legal Service Command
Chief, Bureau of Medicine and Surgery (BUMED)
Chief of Naval Personnel
President, Naval Postgraduate School
Commander, Naval Safety Center (NAVSAFECEN)
Commander, Naval Sea Systems Command
Commander, Space & Naval Warfare Systems Command
Director, Strategic Systems Programs
Commander, Naval Supply Systems Command (NAVSUPSYSCOM)
President, Naval War College
Commanding Officer, U. S. Navy Band

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[1] Surgeon General of the Navy is dual-hatted as Chief, Bureau of Medicine and Surgery and provides a consolidated annual CS submission to CNO.
[2] Chief of Naval Reserve is dual-hatted as Commander, Navy Reserve Force and provides a consolidated annual CS submission to CNO
[3] Deputy CNO for Manpower, Personnel, Training and Education is dual-hatted as Chief of Naval Personnel and provides a consolidated annual CS submission to CNO.

**Submission Requirements and Procedures for FY12
Certification Statement**

Appendix: A - Material Weaknesses from FY11 CNO CS

          B - Reportable Conditions from FY11 CNO CS

          C - Item to be Revisited from FY11 CNO CS

1. <u>Required Responders</u>

    a. All echelon 2 commands and OPOs (less CNO special
assistants) are required to submit a CS signed by the head of
the organization or the principal deputy by 25 May 2012.

    b. For echelon 2 commands, the signed CS will represent
certification for both the echelon 2 staff and its subordinate
chain of command. It is the echelon 2 command's prerogative as
to whether subordinate commands submit signed CSs to the echelon
2; however, all Navy commands are responsible for assessing
adequate internal controls are in place and operating
effectively.

    c. OPOs, when requested, will provide staff level advice
regarding MWs, RCs, and other issues reported by echelon 2
commands. This advice will assist DNS and the Vice Chief of
Naval Operations in evaluating reported MWs and RCs.

2. <u>Reporting Period and Milestone Reporting</u>

    a. The CS will report on the period covering 1 July 2011
through 30 June 2012. In the case where an MW or RC is
identified after 30 June 2012, either by the owning command or a
higher authority, an updated CS will not be required; however,
additional information may be requested to better frame the
issue for potential reporting in the CNO CS or Department of the
Navy's Statement of Assurance (DON SOA).

    b. When stating milestone dates, include the quarter in
which it is scheduled to be completed or was completed.

       (1) Since the preparation of the DON SOA occurs during
the fourth quarter of the FY, it is recommended that milestones
not be assigned to the fourth quarter (July through September)

as it is difficult to report on and update fourth quarter milestones once the preparation of the DON SOA begins.

(2) Milestones scheduled to be completed during the fourth quarter should be reported as the first quarter of the next FY. Similarly, if a weakness is scheduled to be completed in FY12, but after 30 June 2012, it will be rolled over to the first quarter of 2013 and will not be considered corrected for FY12.

3. <u>CS Elements</u>

a. <u>Cover Memorandum.</u> All echelon 2 commands and OPOs will provide a memorandum addressed to the CNO and signed by the head of the command or principal deputy. The memo must contain either an unqualified or qualified SOA, or a statement of no assurance. Descriptions of these statements are provided on page 9 of reference (b). Reference (c) requires all BSOs to include a separate paragraph certifying reasonable assurance of internal controls over financial reporting in the memo. Additional guidance on implementation and execution of this requirement will be issued by Assistant Secretary of the Navy (Financial Management and Comptroller).

b. <u>Supporting enclosures</u>. The number of enclosures will vary depending upon each command's CS (qualified, unqualified, or no assurance), MWs, RCs, and IRs discovered during the reporting period, as well as those reported previously. Enclosures may include:

(1) <u>Accomplishments</u>

(a) All commands and OPOs are encouraged to provide an accomplishments enclosure that addresses efforts to strengthen internal controls. MWs and RCs identified and corrected during the reporting period may be reported as accomplishments.

(b) Other accomplishments might include instances related directly to the protection of government property, efficiency of operations, conservation of resources, improvements in processes, enforcement of regulations, or successful Lean Six Sigma initiative.

(c) Efforts to improve the MICP at organizations should also be reported as an accomplishment.

(d) Write-ups must state the control issue solved and have adequate information to clearly demonstrate how the initiative was of benefit to the command or the Navy.

(e) Accomplishments must be listed in order of significance with the most significant one listed first.

(2) New MWs Identified During the Current Period. Reference (a) provides the definition of an MW; reference (b) provides guidance on determining materiality.

(a) Newly reported MWs must identify actions already taken and or actions planned to be taken and milestone dates to correct the weakness.

(b) Planned actions will include a validation milestone that describes how the corrective action will be evaluated and how its effectiveness will be certified.

(c) If the solution to the control deficiency is outside of the command, include a comment and justification on where the solution lies (e.g., OPNAV, SECNAV office, another CNO command).

(3) New RCs, IRs, and Other Items of Interest. RCs and IRs are defined in reference (a).

(a) Discuss any issues that have emerged during FY12 audits or management reviews that are not determined to be MWs, but are of concern or notable.

(b) Other items of interest may include management control issues identified during FY12 audits that remain unresolved, or other issues that have risen due to specific requests or inquiries.

(c) RCs and IRs reported must include plans and schedules for corrective action(s) or management review.

(d) If the solution to an RC is outside the command, include a comment on where the solution lies.

        (4) <u>Update on Status of MWs, RCs, and IRs from FY 2011 (FY11) CNO CS</u>. Appendices A, B and C of this enclosure contain MWs, RCs, and IRs, respectively, reported in the FY11 CNO CS. For each issue under a cognizance:

        (a) Review the write-up and the audits referenced, and provide updated information regarding an assessment of the issue/program;

        (b) Provide current status of the recommendations identified in the audit(s), as applicable;

        (c) Identify other efforts made or planned milestones to correct the situation or deficiency;

        (d) Present a recommendation as to whether the weakness/condition should be upgraded, downgraded, remain the same, or closed. This information will assist the CNO and SECNAV in categorizing the issue.

4. <u>CS Submission Requirements</u>. The SOA tool's purpose is to provide an official electronic archive as well as a means of reporting. Echelon 2 commands and OPOs will report their respective CSs and enclosures via the SOA automated Web-based tool (https://www.fmosystems.navy.mil/SOA). Also, a signed copy of the CS is required by the CNO to ensure that the head or principal deputy has certified the effectiveness of internal controls. Therefore, a copy of the signed CS and enclosures must be submitted via HQ Web Taskers Version 5. Questions regarding the tasker can be directed to LT Emily O'Rourke, emily.orourke@navy.mil, (202) 685-6506.

Material Weaknesses from FY11 CNO CS

Title	Weakness Type	Command Name	Return to Original Source
1. Contracting Officer's Representative Execution	MW	NAVSUPSYSCOM	NAVSUPSYSCOM
2. Management of Communications Security (COMSEC) Equipment	MW	CNO	N2/N6
3. Fleet and Industrial Supply Center (FISC) Yokosuka Fuel Facilities	MW	NAVSUPSYSCOM	FISC Yokosuka Tsurumi
4. Military Personnel, Navy/ Reserve Personnel, Navy (MPN/RPN) (Full Time Support (FTS)) Summary Account Fund (SAF) Dictionary	MW	BUPERS (Bureau of Naval Personnel)	BUPERS
5. Command, Control, Communications, Computers, and Intelligence (C4I) Asset Accountability	MW	NAVSPECWARCOM (Naval Special Warfare Command)	NAVSPECWARCOM
6. U.S. Naval Academy Non-Appropriated Fund Instrumentality (NAFI) Internal Controls	MW	USNA	USNA
7. Comptroller Function Internal Controls	MW	USNA	USNA

Reportable Conditions from FY11 CNO CS

Title	Weakness Type	Command Name	Return to Original Source
1. COMNAVSPECWARCOM Comptroller Department	RC	NAVSPECWARCOM	NAVSPECWARCOM
2. Naval Safety Program	RC	NAVSAFECEN	NAVSAFECEN
3. Personnel Security Requirements	RC	BUMED	BUMED
4. Managing Personally Identifiable Information (PII)	RC	CNIC	CNIC
5. Pharmacy Inventory	RC	BUMED	BUMED

Appendix B to
                                    Enclosure (2)

Items to be Revisited from FY11 CNO CS

Title	Weakness Type	Command Name	Return to Original Source
1. New Single Hull Tankers	IR	COMUSFLTFORCOM	Military Sealift Command
2. Department of the Navy Freedom of Information Act and Privacy Act Programs	IR	CNO	DNS-36
3. Obligated Service Date Computations for DON Medical Corps Officer Contracts	IR	BUMED	BUMED

CNO ASSESSABLE UNIT BUDGET SUBMITTING OFFICES

OPERATING FORCES:
Commander, U.S. Fleet Forces Command
Commander, U.S. Pacific Fleet
Commander, Navy Reserve Force
Commander, Navy Special Warfare Command

HEADQUARTERS/SHORE COMMANDS:
Commander, Naval Air Systems Command
Commander, Naval Facilities Engineering Command
Director, Field Support Activity
Commander, Navy Installations Command
Commander, Office of Naval Intelligence
Chief, Bureau of Medicine and Surgery
Chief of Naval Personnel
Commander, Naval Sea Systems Command
Commander, Space and Warfare Systems Command
Director, Strategic Systems Programs
Commander, Naval Supply Systems Command