

From the Desk of Dennis Taitano

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I'm excited to announce the revival of the Department of the Navy's (DON) Managers' Internal Control (MIC) newsletter! It is time to heighten DON MIC awareness as the Department continues to gather momentum in achieving an auditable business environment. Through the collaborative effort of the DON's workforce and our service providers, the Department is positioned to be a model for the Department of Defense (DoD) Financial Improvement and Audit Readiness (FIAR) initiatives. The MIC Program will support the DON's progress towards achieving our 2014 auditability goal.

It is essential to our nation and warfighters that we protect and get the most value from our resources as DoD continues to reduce budgets; therefore, the DON must remain diligent in our efforts to establish and sustain efficient and effective internal controls. Through periodic self-assessments and testing of internal controls, the DON can institutionalize more discipline and consistency in the execution of our business processes. Auditable financial statements are a validation that our business processes are well controlled and produce timely, accurate and reliable information. Continued FIAR efforts and an effective MIC program are enablers to managing risk and demonstrating stewardship in the use of federal tax dollars.

The DON MIC guides and supports the Department's personnel in practicing sound internal controls to safeguard the integrity of our programs. The program leads the Department's efforts of achieving auditability, while continuing to receive increased attention as DoD continues to support FIAR initiatives. This newsletter is intended to communicate the toolsets, methodologies, and guidance available to the DON to enhance the capabilities of MIC Program Managers. I encourage DON MIC stakeholders to utilize the toolsets, methodologies, and guidance that the program provides to perform self-assessments of your organization's internal control environment.

To emphasize, we must remain mindful that the achievement of a clean audit opinion is not a one-time event or goal, it is a continual mission of sustaining audit readiness of our daily operations. In an effort to be best equipped for the challenges of achieving an audit readiness and sustainment state, I encourage collaboration with your colleagues to promote creative, innovative solutions. We look forward to creating a team-oriented environment to address the many challenges we will face together in support of our nation's warfighters to maintain "A Global Force for Good".

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Help Our Aim:

We want to hear from you! For more information regarding the MIC Program or guidance on implementing the MIC at your organization, please email gerald.l.robinson1@navy.mil or rami.bannourah@navy.mil

Introduction to the MIC Program

Purpose

The primary purpose of the DON MIC is to implement the Federal Managers Financial Integrity Act (FMFIA), including:

- Ensuring controls are established and maintained to protect limited resources from fraud, waste, and mismanagement;
- Minimizing risk through internal recognition and self-reporting of potential control deficiencies;
- Encouraging proactive process management and effective corrective actions; and
- Contributing to the preparation of the annual Statement of Assurance (SOA), an annual report that provides assurance of effective internal controls. More information on the SOA in the next article.

Background

The DON created the MIC Program to be in compliance with the objectives of the FMFIA and Office of Management and Budget (OMB) Circular No. A-123. FMFIA requires every executive agency to perform continuous evaluations and report on the adequacy of the systems of internal accounting and administrative control.

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In addition, OMB Circular No. A-123 establishes management's responsibility for implementing and monitoring internal control in Federal agencies.

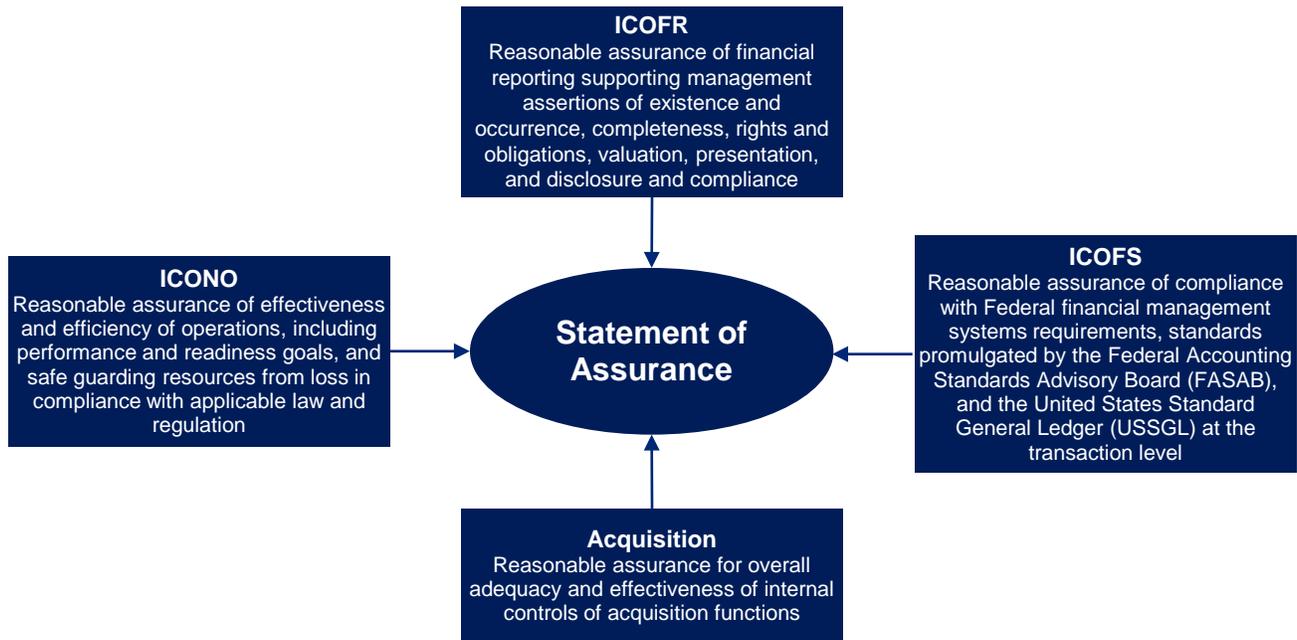
Framework

The DON MIC establishes and implements organizational structure, operating procedures, and administrative practices adopted by all levels of management. These provide reasonable assurance that program and administrative activities are effectively executed in accordance with established objectives and key decisions are made based on timely, accurate, and reliable information.

DON Annual Statement of Assurance

The DON's SOA is an annual report signed by the Secretary of the Navy attesting that the Department has a reasonable assurance that internal controls are operating effectively and efficiently. The SOA reports on the DON's major control-related accomplishments and the corrective action plans designed to overcome systemic internal control deficiencies. The SOA is a compilation of the following reasonable assurances: Internal Control over Financial Reporting (ICOFR), Internal Control over Non-Financial Operations (ICONO), Internal Control over Financial Systems (ICOFS), and Internal Control over Acquisition. Figure 1 illustrates the details of each assurance.

Figure 1: The MIC Program establishes a governance framework to support the DON in obtaining reasonable assurance for each objective's requirements.



The SOA must support one of the following assurances:

- Unqualified Statement of Assurance** – reasonable assurance that internal controls are in place and operating effectively in the Department's mission-essential processes,
- Qualified Statement of Assurance, Considering the Exceptions Reported** – reasonable assurance, with the exception of material weaknesses identified in the report, that internal controls are in place and operating effectively in the Department's mission-essential processes, or
- Statement of No Assurance** – cannot provide reasonable assurance that internal controls are in place and operating effectively in the Department's mission-essential processes.

What is a Certification Statement?

A certification statement demonstrates reasonable assurance by senior leadership that key business process controls are in place and operating effectively and efficiently to ensure the organization is capable of meeting its mission objectives to include accurate financial information. Adequate support may be derived from management reviews, audits, inspections, investigations, knowledge gained from daily operations of programs and functions, lower level subordinate commands' certification statements, and other management information.

SOAs are encouraged to focus their MIC certification statement on controls associated with their organization's chartered functional responsibilities and administrative duties. The assessment of reported internal controls deficiencies should be generated from self-identified material weaknesses, reportable conditions, and independent audit reviews. Commands use the SOA Tool to track their accomplishments and control deficiencies throughout the year, culminating in their annual certification statement. Now is the time to ensure all DON MIC coordinators and alternates are aware of the submission requirements and deadlines. If you would like to incorporate the SOA Tool into your command's MIC program, please visit: <https://www.fmosystems.navy.mil/soa>.

In accordance with SECNAVINST 5200.35E, Senior Accountable Officials (SAOs) are designated responsibility for DON Major Assessable Units (MAUs) and are required to submit to the Secretary of the Navy a MIC certification statement no later than 1 July. The annual MIC certification statement indicates the SOAs assessment of internal controls in effect during the reporting period 1 July through 30 June of the previous calendar year, and whether the internal controls were able to provide reasonable assurance that:

- Programs achieved their intended results;
- Resource use was consistent with the DON mission;
- Programs and resources were protected from waste, fraud, and mismanagement;
- Laws and regulations were followed; and
- Reliable and timely information was obtained, maintained, reported, and used to guide decision-making.

The Office of the Deputy Assistant Secretary of the Navy (DASN) Financial Operations (FO) is responsible for compiling the DON's MIC certification statements. The completed MIC certification statements support the Secretary of the Navy's annual SOA to the Secretary of Defense.

MIC Evaluation Checklist

To facilitate the implementation of control assessments, a DON MIC evaluation checklist has been distributed to be utilized as a practical toolset. The MIC evaluation checklist is part of the DON's effort to continually strengthen the internal control environment. The evaluation checklist is to be utilized as a practical toolset to assist in the facilitation of non-financial internal control self-assessments. The evaluation checklist includes a collection of core business functions that should be considered during the annual MIC certification statement.

Key questions to consider include:

- Are members of the Acquisition Workforce properly certified, or will they be within 36 months of reporting?
- Are Commanders/Supervisors verifying Government Travel Charge Cards (GTCCs) are issued for official travel related expenses and only issued to candidates that have passed a credit check?
- Are employees verifying the accuracy of their time and attendance and adjustments/corrections?



Figure 2:

The evaluation checklists can be utilized to provide assurance for the certification statements. In turn, the compilation of certification statements completes the SOA.

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The evaluation checklist is not inclusive of all controls. The DON MIC advises managers to append additional applicable controls. The self-assessment evaluation methodology will coincide with independent inspections, investigations, and audits performed by Navy Inspector General, Naval Criminal Investigative Service, or an independent internal/external auditor. Identified deficiencies are to be communicated to the responsible entity of the business function and leadership. Management-identified systemic deficiencies should be reported to a Senior Accountable Official for determination of materiality.

[Click here to download a copy of the MIC Evaluation Checklist](#)

[Click here to visit the MIC Program Guidance and Tools website](#)

MIC-CPI Synergy

The DON MIC Program, in coordination with Office of Deputy Under Secretary of the Navy/Deputy Chief Management Office (DUSN/DCMO) Continuous Performance Improvement (CPI), facilitated a Rapid Improvement Event (RIE) to align MIC and CPI resources. The RIE identified optional CPI tools that can be utilized as well as areas where communication could be strengthened.

Specific areas for strengthening communication throughout the MIC community include: establishing a community of practice utilizing SharePoint, utilizing Defense Connection Online for informational sessions and training, and updating the DASN (FO) website on a continuous basis.

Upon DASN (FO)'s issuance of the SECNAVINST 5200.35F for the FY14 reporting period, a revision to the MIC Manual will be updated to incorporate optional CPI tools, techniques, resources, and methodologies that were identified during the RIE. Currently the DON MIC and CPI are collaborating on a strategy to ensure the utilization of CPI tools as a program enabler.

Training

MIC training is available online through [Navy Knowledge Online](#) (NKO). Below are some of the available courses.

Course Title: Managers' Internal Control Program Training

Catalog Code: OASN-MCPT-1.3

Objective: To provide an overview of the DON MIC Program. This course is required to satisfy the training requirement for Coordinators or alternates established in SECNAVINST 5200.35E.

Course Title: Managers' Internal Control Program Training for Managers

Catalog Code: OASN-MCPTM-1.3

Objective: To provide DON Managers with a foundation for understanding internal controls and the DON MIC Program. This course is designed for Managers and does not meet SECNAVINST 5200.35E training requirements for MIC Coordinators or their alternates.

Be on the Lookout

May/June	<ul style="list-style-type: none"> - Higher echelons review certification statements - Echelon 1 starts to prepare certification statements
July	<ul style="list-style-type: none"> - July 1: MAU certification statements due for ICONO - July 15: Signed Senior Assessment Team memo with ICOFR/ICOFS SOA due to OSD - Pre-brief DON SOA to DASN (FO)
August	<ul style="list-style-type: none"> - ICOFR/ICOFS SOA submission to FIAR Governance Board - Brief DON SOA to ASN (FM&C) - Brief DON SOA to UNSECNAV
September	<ul style="list-style-type: none"> - 1st Wednesday after Labor Day: Submission of SOA to SECDEF