

UNCLAS

NAVADMIN 066/16

MSGID/NAVADMIN/CNO WASHINGTON DC/DNS/MAR//

SUBJ/NAVY AUDIT DOCUMENT RETENTION GUIDANCE//

REF/A/LTR/ASN (FM&C)/08 DEC 2015

REF/B/LTR/DASN (FO)/29 JAN 15//

NARR/REF A IS ASN (Financial Management & Comptroller) Financial

Management Policy Letter 16-01 on Delegation of Authority to Appoint

Accountable Officials. REF B IS DASN (FINANCIAL OPERATIONS) MEMO ON REVISED DOCUMENT

RETENTION REQUIREMENTS TO SUPPORT DEPARTMENT OF THE NAVY FINANCIAL STATEMENT

AUDITS.//POC/MURRAY TYNCH/CAPT/00011/WASHINGTON DC/(703) 693-4444//

RMKS/1. Take refs (a) through (b) forac.

2. As outlined in ref (b), this NAVADMIN provides updated guidance and information on the Navy's document requirements related to financial statement audits. This NAVADMIN may be followed by subsequent NAVADMINs with additional guidance on document requirements. In the interim, commands must ensure that Sailors, Civilians, and Contractors adhere to documentation requirements outlined in refs (a) through (b) and in this NAVADMIN.

3. Congress mandated that the DoD have auditable financial statements in place by 30 SEP 2017. An Independent Public Auditor (IPA) performed an audit on the Navy in the form of the FY2015 Schedule of Budgetary Activity (SBA), to determine if the SBA was fairly stated. The IPA issued 220 notices of findings and recommendations (NFR) based on the Navy's internal control environment. The IPA determined the Navy could not consistently provide documented evidence of financial events. As a result of the issues identified, the IPA could not issue an audit opinion due to the lack of evidence required.

4. Common problems the IPA identified with Navy financial documentation included:

- a. Lack of or incomplete evidence of approval for transactions (i.e. authorization of approval, DD577).
- b. Lack of or incorrect evidence of receipt and acceptance.
- c. Lack of or incomplete evidence of contractual agreements and related contract documents (i.e. contract and/or funding documents).
- d. Lack of or incomplete evidence to support that payments were made for a valid reason.
- e. Lack of or incomplete evidence of funding authority.

5. From an audit perspective if there is no evidence of a financial event, the auditor cannot validate if the transaction was properly approved by the appropriate official and /or the transaction was properly executed. The primary audit finding determined that Navy requires a renewed focus on retaining the correct documents for the required duration per refs (a) through ref (b).

6. To ensure the Navy achieves full auditability per Congressional mandate, DASN (FO) issued the policy contained in ref (b). To comply with that policy, all commands are directed to take the following actions within 60 days and report/provide evidence of completion.

a. Per refs (a) through (b) all commands retain the requisite financial documents as outlined in the Key Supporting Document (KSD) Matrix. The KSD matrix can be found at <https://arc.portal.navy.mil/sites/collab/FMO5Specific/arcperm/ARC%20Permanent%20File%20Respository/Forms/Quick.aspx>.

b. IAW ref (b) each command must be able to retrieve all auditable documents. It is highly recommended each command establish a standardized naming convention that includes the fiscal year, document number (if applicable) and system and/or business process to increase efficiency.

c. Commands are required to properly complete and maintain written authorization in accordance with ref (b) in the form of a DD577.

d. Within 180 days, Budget Submitting Offices shall utilize Command Evaluation or Manager's Internal Control (MIC) program to establish ongoing reviews of command compliance with document retention requirements.

7. Be prepared to have spot checks performed on your Commands document retention practices at a later date. Following 180 days, the DASN (FO) Evaluation, Prioritization, Remediation (EPR) Program will perform procedures to validate that commands document retention practices comply with refs (a) through (b).

8. Commands should direct submissions and inquiries to Ms. LeAnne Mason at leanne.mason@navy.mil.

9. Released by Vice Admiral R. L. Thomas, Director, Navy Staff.//

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