

**FY 2000 "CFO NWCF Material Weakness"
(Industrial Activities)**

Background.

Past efforts to correct material weaknesses discovered during audits of the NWCF financial statements from FY 1991 through FY 1999 have been less than successful, as evidenced by the repetitive problems identified in the NAVAUDSVC's NWCF CFO financial statement audit reports. One of the efforts to overcome this difficulty by the NAVAUDSVC, is to address many of its findings and recommendations to the activity level. Addressing findings and recommendations to the activity level is needed to directly relate the problems found with those responsible and accountable for correcting them. This approach also provides the activity level managers with a template for the identification and reporting of material weaknesses as discussed in the reference (a) DON Management Control Program.

Many of the NAVAUDSVC reported financial statement deficiencies may have been prevented if the Defense Finance and Accounting Service (DFAS), in conjunction with the DON activities, had completed the required accounts reconciliation process. DON managerial accounting oversight responsibilities include, among other things, ensuring that the reconciliation of the general ledger accounts (GLAs) to the subsidiary records and supporting source documentation is being performed by the designated responsible command, be it DFAS or DON. The reconciliation process is an important means of ensuring that transactions are properly recorded and documented.

Although an identified account balance weakness may seem minor at an individual activity level, when discovered at numerous activities it must be presumed to be systemic (DON-wide) and thereby constitutes a Departmental material weakness. Thus activity level problems must be corrected if the Department as a whole is to improve. By ASN(FM&C) memorandum of 29 March 1999, NWCF management commands have commenced a review of conditions preventing the NWCF from receiving an unqualified opinion to determine the needed corrective actions. This is a start towards identifying the NWCF activities to which these deficiency conditions are applicable. However, a more comprehensive effort by all levels is required to meet the goal of an unqualified opinion.

Therefore, in accordance with paragraph 13 of enclosure (1) to reference (a), the ASN(FM&C) has determined that open findings and associated recommendations on management controls that stem

Enclosure (2)

from financial statement audits are material weaknesses at the applicable level, and are to be considered open and uncorrected until all actions agreed to in the course of the audit are completed. **To comply with this requirement, NWCF activities should report these identified deficiencies as a "CFO NWCF Material Weakness" through the chain of command in their FY 2000 Annual Management Control Certification Statement.**

General Procedures.

FMFIA material weakness statements are consolidated as they are reported up the chain of command. To facilitate this and ensure consistency of reporting, we are providing the below uncorrected material weakness for industrial activities (hard copy and diskette) which should be used by NWCF activities as the FY 2000 "CFO NWCF Material Weakness". **If a NWCF activity chooses not to report a weakness identified below, they must report back to ASN(FM&C) Office of Financial Operations (FMO) and state they do not have that weakness or the weakness has been fixed.** This information must also be forwarded in that NWCF activity's FY 2000 Annual Management Control Certification Statement for inclusion in the consolidated material weakness as it is reported up the chain of command to Chief of Naval Operations (CNO), Chief of Naval Research (CNR) or Commandant of the Marine Corps (CMC), as applicable. Weaknesses and milestones should be added when the activity has identified inaccurate account balances or other accounting and reporting weaknesses not identified in enclosure (2) of this memorandum. Based on the repeated findings and recommendations in prior NAVAUDSVC CFO audits, we expect a significant number of reportable material weaknesses at all NWCF activities. When reporting on those weaknesses and the efforts being made to correct them, the milestone dates, reflected in enclosure (2) of this memorandum, should be changed to reflect local conditions. For example, in most cases the milestones for the accounts' reconciliation process will be near term as they involve routine operating procedures. Should this not be the case the milestones would reflect a more long-term solution.

Enclosure (4) identifies the minimal controls to be included in the plan of action and milestones (POA&M), referred to in enclosure (2) of this memorandum, which are aimed at improving the accuracy of the account balances. The NWCF activity level POA&M should report actions to meet the milestones.

Subsequent Years Update of "CFO NWCF Material Weakness".

This FY 2000 "CFO NWCF Material Weakness" will be monitored and reported, in accordance with reference (a), until such time that documentary evidence exists to support both an unqualified Statement of Assurance and an unqualified audit opinion. Documentary evidence, for example, would include the ability to demonstrate the integrity of the reported account balances and the currency of the source data based on the quantitative results of the quarterly reconciliation process. NWCF activities subsequent years update of this material weakness should include newly identified account balance deficiencies, and other material weaknesses identified by the activity and open findings on management controls agreed to by management.

Description of The Phrase "Accounting Firm" as Used Herein.

The below uncorrected material weakness milestone references to "accounting firm" means the appropriate DON or DFAS organization responsible for the particular function being discussed (e.g., DFAS, DFAS-Cleveland Center (DFAS-CL), DFAS-CL Operating Locations (OPLOCs), DFAS-Kansas City Center (DFAS-KC), DFAS-Denver Center (DFAS-DE) OPLOC Omaha or NWCF activity depending on the milestone subject). Examples follow:

a. The phrase "accounting firm" in the milestone to complete a POA&M in conjunction with "accounting firm" to have accounting firm validate the balance of Accounts Receivable, Net, Federal account would be the activity that maintains the GLA and/or subsidiary records (e.g., DFAS-CL OPLOCs, DFAS-KC, DFAS-DE OPLOC Omaha, NWCF activity).

b. The phrase "accounting firm" in the milestone to complete a POA&M in conjunction with "accounting firm" to ensure that the coding structure within the accounting and financial management system has been developed to charge the stabilized rate in accordance with the DoD FMR, Volume 2B, Chapter 9, would be the activity that performs the accounting function (e.g., DFAS-CL OPLOCs, DFAS-KC, DFAS-DE OPLOC Omaha). For DFAS owned accounting systems or DFAS owned critical feeder systems, DFAS-CL would coordinate system changes needed to implement the DFAS-CL accounting procedures with DFAS and appropriate Configuration Control Board or user's group Central Design Agent (CDA).

c. The phrase "accounting firm" in the milestone to request the "accounting firm" to evaluate the auditors position that Other Federal (Intragovernmental) Liabilities erroneously contained net balances for Undistributed Collections and Disbursements at year-end and take corrective action would be

DFAS-CL OPLOCs, DFAS-KC or DFAS-DE OPLOC Omaha for example. The phrase "accounting firm" in the second half of that milestone to complete a POA&M in conjunction with "accounting firm" to implement revised procedures at year-end would be the activity that performs the accounting function (e.g., DFAS-CL OPLOCs, DFAS-DE OPLOC Omaha, DFAS-KC).

d. The phrase "accounting firm" in a milestone requiring the issuance of accounting procedures would be DFAS-CL. For DFAS owned accounting systems or DFAS owned critical feeder systems, DFAS-CL would coordinate system changes needed to implement the DFAS-CL accounting procedures with DFAS and appropriate Configuration Control Board or user's group CDA. The implementing accounting firm would be the activity that performs the accounting function (e.g., DFAS-CL OPLOCs, DFAS-KC, DFAS-DE OPLOC Omaha).

**UNCORRECTED MATERIAL WEAKNESS (INDUSTRIAL ACTIVITIES)
IDENTIFIED DURING THE CURRENT PERIOD
FY 2000**

Title and Description of Material Weakness: CFO NWCF.

The Fund Balance with Treasury did not agree with activity level records.

The Accounts Receivable, Net, Federal account was inaccurate because reconciliations were not performed; transactions were not posted correctly; receivables were not reported and amounts reported were not owed.

The Accounts Receivable, Net, Non-Federal account was inaccurate because reconciliations were not performed; transactions were not posted correctly; receivables were not reported and amounts reported were not owed.

Work-in-Process (WIP) was inaccurate because revenue recognition policy was incorrectly applied; reconciliations were not performed; misclassifications occurred; uncollectible cost identified to fixed price order cost overruns were not written off.

Operating Materials and Supplies accounts were inaccurate because of misclassifications; invalid Material-In-Transit (MIT); negative balances in MIT account; improper reconciliation procedures; and the unauthorized use of an allowance account.

The Property, Plant and Equipment account, including accumulated depreciation, contained errors (e.g., inaccurate costs; incorrect depreciation; fixed assets recorded in the financial statements could not be located; non-ships unrecorded capital leases; fixed assets were not removed from the financial statements after disposal or transfer; and assets were misclassified).

The Accounts Payable, Federal account is inaccurate because it did not reconcile to the subsidiary ledgers; was not liquidated for paid liabilities; contained bookkeeping errors; lacked sufficient supporting documentation; transactions were misclassified as MIT and Accounts Payable, Non-Federal; and contained undistributed disbursements over 180 days old.

The Accounts Payable, Non-Federal account was inaccurate because Federal liabilities were reported as Non-Federal liabilities and vice a versa; invalid transactions; inadequate or late postings; bookkeeping errors and imprecise accounting period cut off.

The Accrued Expenses - Other, Non-Federal is inaccurate because of bookkeeping errors; unrecorded payments; incorrect postings; inadequate documentation; misclassifications of Federal liabilities as Non-Federal and reconciliations are not being performed.

Other Federal (Intragovernmental) Liabilities were not supported by documentation; erroneously contained net balances for Undistributed Collections and Disbursements at year-end; contained errors; and transactions reported as Accounts Receivable, Federal.

Other Non-Federal Liabilities included invalid Advances - Other, Non-Federal caused by bookkeeping errors; unrecorded payments; incorrect postings; inadequate documentation and reconciliations not being performed.

Other Revenues and Financing Sources, and Depreciation and Amortization were misstated because financing source and corresponding depreciation expense from real property assets were not recognized.

These material weaknesses are not all correctable within DON. Correction of systemic problems in Accrued Expenses - Other, Non-Federal account and other accounts such as Accounts Receivable, Net, Federal; MIT portion of Operating Materials and Supplies; Accounts Payable, Federal; Accounts Payable, Non-Federal; and Other Revenues and Financing Sources and related Depreciation and Amortization, are contingent on outside sources.

Functional Category: Comptroller and Resource Management

Pace of Corrective Action

Year Identified: FY 2000

Original Targeted Correction Date: FY 2000

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2000

Reason For Change in Date(s): N/A

Component/Appropriation/Account Number: NWCF (97X4930)

Validation Process: All corrective action(s) are certified by responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review. Plans for, and progress on, corrective actions will be reported via feeder reports for the Annual FMFIA Statement of Assurance.

Results Indicators: Correction of material weaknesses identified during audits of CFO financial statements will be shown when the statements receive an unqualified audit opinion.

Source(s) Identifying Weakness

- NAVAUDSVC Report No. 024-98, "FYs 1997 and 1996 Consolidated Financial Statements of the Department of the Navy Working Capital Fund" of 27 February 1998
- NAVAUDSVC Report No. 049-98, "FYs 1997 and 1996 Consolidated Financial Statements of the Department of the Navy Working Capital Fund: Reportable Conditions" of 28 September 1998

Major Milestones in Corrective Action

A. Completed Milestone

B. Planned Milestone

Date Milestone

9/00 Complete a POA&M to perform periodic validations of source data supporting all NWCF activity maintained subsidiary records of GLAs to ensure the accuracy of the subsidiary records; and integrity and currency of the source data.

9/00 Pending the accounting firm's issuance of Fund Balance with Treasury reconciliation procedures, complete a POA&M in conjunction with accounting firm to validate the activity level cash balance. The activity level cash balance throughout the fiscal year, to include Year-End (as of 30 September), will be equal to the net of Funds Collected, DoD Standard General Ledger (SGL) 1011 (Data Base Code (DBC) 1112) and Funds Disbursed, DoD SGL 1012 (DBC 1141). These amounts should be equal to the Fiscal Year to Date (FYTD) reimbursements and disbursements reflected on the NWCF Activity Control Ledger (ACL). If the ACL is not available in time for reporting purposes, the Centralized Expenditure/Reimbursement Processing System (CERPS) Posting Media may be used to record collections and disbursements to activity general ledgers. In addition, if the activity cash balance is not equal to the FYTD ACL cash balance, a Journal Voucher entry should be made to DBC 1120 or 1150 and DBC 1542 or 1543 for the difference. This will be considered a reversing entry for the following month. The POA&M will include action to ensure compliance with DFAS-CL Year-End Closing guidance for closing of collections and disbursements account.

9/00 Complete a POA&M in conjunction with accounting firm to have accounting firm validate the balance of Accounts Receivable, Net, Federal account to ensure that the general ledger balance and other associated financial balances are reconciled, at least on a quarterly basis, with the amounts contained in the supporting records, including original source data. Participate in the reconciliation process for the DFAS maintained subsidiary records when the original source documents or transactions that require research to complete the reconciliation are retained by DON activities. If subsidiary records are maintained by the DoD Component, request DFAS in accordance with DoD Financial Management Regulation (FMR), Volume 6, Chapter 2, paragraph 020204A to establish a reconciliation schedule, to reconcile the subsidiary records with the financial balance. The reconciliation of such supporting records with the financial balance is a joint responsibility of DFAS and the customer. This review will ensure that all transactions are properly documented and represent amounts due.

9/00 Request accounting firm to vigorously pursue Accounts Receivable, Net, Federal debt collections.

9/00 Complete a POA&M in conjunction with accounting firm, through coordination with appropriate system CDA, to implement the DFAS-CL/AAC 31 August 1998 guidance on the Under Secretary of Defense 2 April 1998 memorandum policy for billing to now follow the percentage of completion method for revenue recognition.

9/00 Complete a POA&M in conjunction with accounting firm to ensure that the coding structure within the accounting and financial management system has been developed to charge the stabilized rate in accordance with the DoD FMR, Volume 2B, Chapter 9.

9/00 Complete a POA&M in conjunction with accounting firm to have accounting firm validate the balance of Accounts Receivable, Net, Non-Federal account to ensure that the general ledger balance and other associated financial balances are reconciled, at least on a quarterly basis, with the amounts contained in the supporting records, including original source data. Participate in the reconciliation process for the DFAS maintained subsidiary records when the original source documents or transactions that require research to complete the reconciliation are retained by DON activities. If subsidiary records are maintained by the DoD Component, request DFAS in accordance with DoD FMR, Volume 6, Chapter 2, paragraph 020204A to establish a reconciliation schedule, to reconcile the subsidiary records with the financial balance. The reconciliation of such supporting records with the financial balance is a joint responsibility of DFAS and the

customer. This review will ensure that all transactions are properly documented and represent amounts due.

9/00 Complete a POA&M in conjunction with accounting firm to have accounting firm validate the balance of WIP account to ensure that the general ledger balance and other associated financial balances are reconciled, at least on a quarterly basis, with the amounts contained in the supporting records, including original source data. Participate in the reconciliation process for the DFAS maintained subsidiary records when the original source documents or transactions that require research to complete the reconciliation are retained by DON activities. If subsidiary records are maintained by the DoD Component, request DFAS in accordance with DoD FMR, Volume 6, Chapter 2, paragraph 020204A to establish a reconciliation schedule, to reconcile the subsidiary records with the financial balance. The reconciliation of such supporting records with the financial balance is a joint responsibility of DFAS and the customer.

9/00 Complete a POA&M in conjunction with accounting firm to ensure that uncollectible cost overruns in WIP are written off.

9/00 Complete a POA&M in conjunction with accounting firm to have accounting firm validate the balance of Operating Materials and Supplies including MIT account to ensure that the general ledger balance and other associated financial balances are reconciled, at least on a quarterly basis, with the amounts contained in the supporting records, including original source data. Participate in the reconciliation process for the DFAS maintained subsidiary records when the original source documents or transactions that require research to complete the reconciliation are retained by DON activities. If subsidiary records are maintained by the DoD Component, request DFAS in accordance with DoD FMR, Volume 6, Chapter 2, paragraph 020204A to establish a reconciliation schedule, to reconcile the subsidiary records with the financial balance. The reconciliation of such supporting records with the financial balance is a joint responsibility of DFAS and the customer.

9/00 Complete a POA&M to perform periodic validations to ensure the accuracy of the subsidiary records against the applicable physical count of operating materials and supplies.

9/00 Complete a POA&M in conjunction with accounting firm to implement the DoD FMR policy and procedures for the revaluation of excess Operating Materials and Supplies to its estimated net realizable value once the DoD Implementation Strategy group recommended policy changes on retention levels have been considered, revised DoD policy released and the accounting firm provides procedures and coordinates accounting systems changes.

9/00 Industrial activities request accounting firm to evaluate the auditors position that all records with negative balances in MIT account are invalid and take corrective action. Industrial activities in conjunction with their accounting firm complete a POA&M to implement procedures to not record negative balances in MIT account once the accounting firm provides procedures and coordinates accounting systems changes.

9/00 Industrial activities in conjunction with their accounting firm complete a POA&M to discontinue the use of the Allowances for Losses on Materials and Supplies (DBC 1461) and Allowances for Losses on Direct Materials (DBC 1462) in accordance with DFAS-CL/AACA memorandum of 8 March 1999 accounting procedures.

9/00 Industrial activities request accounting firm to evaluate the auditors position that discrepant billings from Government suppliers should be reported in Accounts Payable, Federal and not in MIT and take corrective action. Industrial activities in conjunction with their accounting firm complete a POA&M to implement revised procedures once the accounting firm provides procedures and coordinates accounting systems changes.

9/00 Complete a POA&M in conjunction with accounting firm to have accounting firm validate the balance of Property, Plant and Equipment account, including accumulated depreciation, to ensure that the general ledger balance and other associated financial balances are reconciled, at least on a quarterly basis, with the amounts contained in the supporting records, including original source data. Participate in the reconciliation process for the DFAS maintained subsidiary records when the original source documents or transactions that require research to complete the reconciliation are retained by DON activities. If subsidiary records are maintained by the DoD Component, request DFAS in accordance with DoD FMR, Volume 6, Chapter 2, paragraph 020204A to establish a reconciliation schedule, to reconcile the subsidiary records with the financial balance. The reconciliation of such supporting records with the financial balance is a joint responsibility of DFAS and the customer.

9/00 Complete a POA&M to perform periodic validations to ensure the accuracy of the subsidiary records against the applicable physical count of equipment and real property; and ensure assets are capitalized in accordance with DoD guidance.

9/00 Complete a POA&M to validate that depreciation for capital assets is properly calculated and charged in accordance with DoD guidance.

9/00 Industrial activities in conjunction with their accounting firm complete a POA&M to implement recognition of losses when disposing of assets once the accounting firm provides clarifying procedures and coordinates accounting systems changes.

9/00 Complete a POA&M in conjunction with accounting firm to have accounting firm validate the balance of Accounts Payable, Federal account to ensure that the general ledger balance and other associated financial balances are reconciled, at least on a quarterly basis, with the amounts contained in the supporting records, including original source data. Participate in the reconciliation process for the DFAS maintained subsidiary records when the original source documents or transactions that require research to complete the reconciliation are retained by DON activities. If subsidiary records are maintained by the DoD Component, request DFAS in accordance with DoD FMR, Volume 6, Chapter 2, paragraph 020204A to establish a reconciliation schedule, to reconcile the subsidiary records with the financial balance. The reconciliation of such supporting records with the financial balance is a joint responsibility of DFAS and the customer. This review will ensure that supporting documentation is maintained.

9/00 Complete a POA&M in conjunction with accounting firm to ensure that undistributed disbursements over 180 days old are expensed in accordance with ASN(FM&C) memorandum of 3 March 1998.

9/00 Complete a POA&M in conjunction with accounting firm to have accounting firm validate the balance of Accounts Payable, Non-Federal account to ensure that the general ledger balance and other associated financial balances are reconciled, at least on a quarterly basis, with the amounts contained in the supporting records, including original source data. Participate in the reconciliation process for the DFAS maintained subsidiary records when the original source documents or transactions that require research to complete the reconciliation are retained by DON activities. If subsidiary records are maintained by the DoD Component, request DFAS in accordance with DoD FMR, Volume 6, Chapter 2, paragraph 020204A to establish a reconciliation schedule, to reconcile the subsidiary records with the financial balance. The reconciliation of such supporting records with the financial balance is a joint responsibility of DFAS and the customer. This review will ensure that supporting documentation is maintained.

9/00 Complete a POA&M in conjunction with accounting firm to have accounting firm validate the balance of Accrued Expenses - Other, Non-Federal account to ensure that the general ledger balance and other associated financial balances are reconciled, at least on a quarterly basis, with the amounts contained in the

supporting records, including original source data. Participate in the reconciliation process for the DFAS maintained subsidiary records when the original source documents or transactions that require research to complete the reconciliation are retained by DON activities. If subsidiary records are maintained by the DoD Component, request DFAS in accordance with DoD FMR, Volume 6, Chapter 2, paragraph 020204A to establish a reconciliation schedule, to reconcile the subsidiary records with the financial balance. The reconciliation of such supporting records with the financial balance is a joint responsibility of DFAS and the customer. This review will ensure that transactions are based on adequate support from performance documentation.

9/00 Industrial activities complete a POA&M to record Accrued Expenses - Other Federal liabilities separately from Accrued Expenses - Other Non-Federal liabilities once the accounting firm provides procedures and coordinates accounting systems changes.

9/00 Complete a POA&M in conjunction with accounting firm to ensure that Accounts Payable, Non-Federal over 180 days old are valid.

9/00 Complete a POA&M in conjunction with accounting firm to have accounting firm validate the balance of Other Federal (Intragovernmental) Liabilities account to ensure that the general ledger balance and other associated financial balances are reconciled, at least on a quarterly basis, with the amounts contained in the supporting records, including original source data. Participate in the reconciliation process for the DFAS maintained subsidiary records when the original source documents or transactions that require research to complete the reconciliation are retained by DON activities. If subsidiary records are maintained by the DoD Component, request DFAS in accordance with DoD FMR, Volume 6, Chapter 2, paragraph 020204A to establish a reconciliation schedule, to reconcile the subsidiary records with the financial balance. The reconciliation of such supporting records with the financial balance is a joint responsibility of DFAS and the customer.

9/00 Industrial activities request accounting firm to evaluate the auditors position that Other Federal (Intragovernmental) Liabilities erroneously contained net balances for Undistributed Collections and Disbursements at year-end and take corrective action. Complete a POA&M in conjunction with accounting firm to implement revised procedures at year-end.

9/00 Complete a POA&M in conjunction with accounting firm to have accounting firm validate the balance of Other Non-Federal Liabilities account (e.g., Advances - Other, Non-Federal) to ensure that the general ledger balance and other associated financial balances are reconciled, at least on a quarterly basis, with the amounts contained in the supporting records, including original source data. Participate in the reconciliation process for the DFAS maintained subsidiary records when the original source documents or transactions that require research to complete the reconciliation are retained by DON activities. If subsidiary records are maintained by the DoD Component, request DFAS in accordance with DoD FMR, Volume 6, Chapter 2, paragraph 020204A to establish a reconciliation schedule, to reconcile the subsidiary records with the financial balance. The reconciliation of such supporting records with the financial balance is a joint responsibility of DFAS and the customer. This review will ensure that transactions are based on adequate support from performance documentation.

9/00 Complete a POA&M to ensure that all Other Non-Federal Liabilities (e.g., Advances - Other, Non-Federal) over 180 days old are followed up on for validity.

9/00 Industrial activities in conjunction with their accounting firm complete a POA&M to report financing source and corresponding depreciation expense from real property assets in Other Revenues and Financing Sources and Depreciation in accordance with DFAS-CL/AAC memorandum of 20 March 2000 accounting procedures. You should ensure that the accounting firm coordinates accounting systems changes.

9/00 Industrial activities in conjunction with their accounting firm, through coordination with appropriate system CDA, complete a POA&M to determine if a deficiency causing account balance inaccuracies is a system or a business process deficiency. If system, officially identify the deficiency to DFAS and appropriate Configuration Control Board or user's group, with copy to ASN(FM&C) FMO. You should include full details of accounting systems deficiencies for DFAS owned accounting systems or DFAS owned critical feeder systems which cause account balance inaccuracies. If the system deficiency is material, DFAS should include it in their Annual Management Control Certification Statement.

9/00 Industrial activities in conjunction with their accounting firm, through coordination with appropriate system CDA, complete a POA&M to determine if a deficiency causing account balance inaccuracies is a system or a business process deficiency. If system, officially identify the deficiency to the appropriate system CDA and DFAS, with copy to ASN(FM&C) FMO. You

should include full details of accounting systems deficiencies for DON owned accounting systems which cause account balance inaccuracies and your planned corrective actions. If the system deficiency is material, it should be included in the NWCF activity "CFO NWCF Material Weakness".

9/00 Industrial activities in conjunction with their accounting firm complete a POA&M to officially provide to the appropriate functional proponent, with copy to ASN(FM&C) FMO, full details of non-accounting systems deficiencies for DON owned feeder systems which cause account balance inaccuracies and the planned corrective actions. If the system deficiency is material, it should be included in the NWCF activity "CFO NWCF Material Weakness".

9/00 Industrial activities in conjunction with their accounting firm complete a POA&M to officially provide to the appropriate system CDA with copy to DFAS and ASN(FM&C), full details of legacy accounting systems deficiencies which are preventing the completion of the required reconciliation process for which there is no planned corrective action as directed by DoD, DFAS or ASN(FM&C). If the system deficiency preventing completion of the required financial statement reconciliation of GLAs and other associated balances is material, it should be included in the NWCF activity "CFO NWCF Material Weakness", if DON owns the system. The material weakness should be clearly marked to indicate that there is no planned corrective action, other than its replacement with the DFAS interim migratory accounting system, if that is the case.

9/00 **Verification:** Plans for and progress on most corrective actions will be reported via the Annual FMFIA Statement of Assurance. Corrective actions are also reviewed through follow-up audits, inspections, and quality assurance reviews.

Point of Contact: Name (Command/Code), Telephone Number

Footnotes: