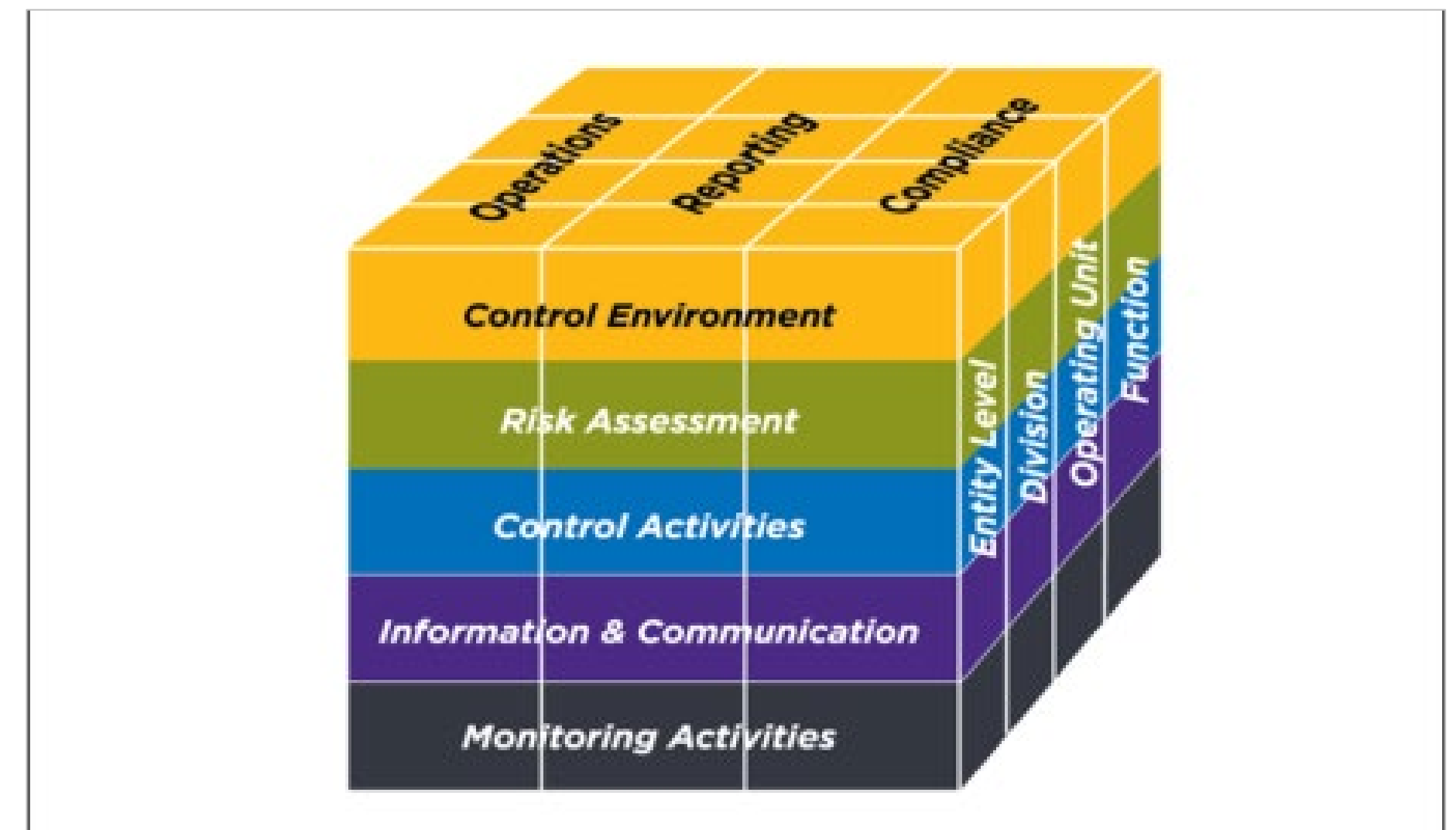
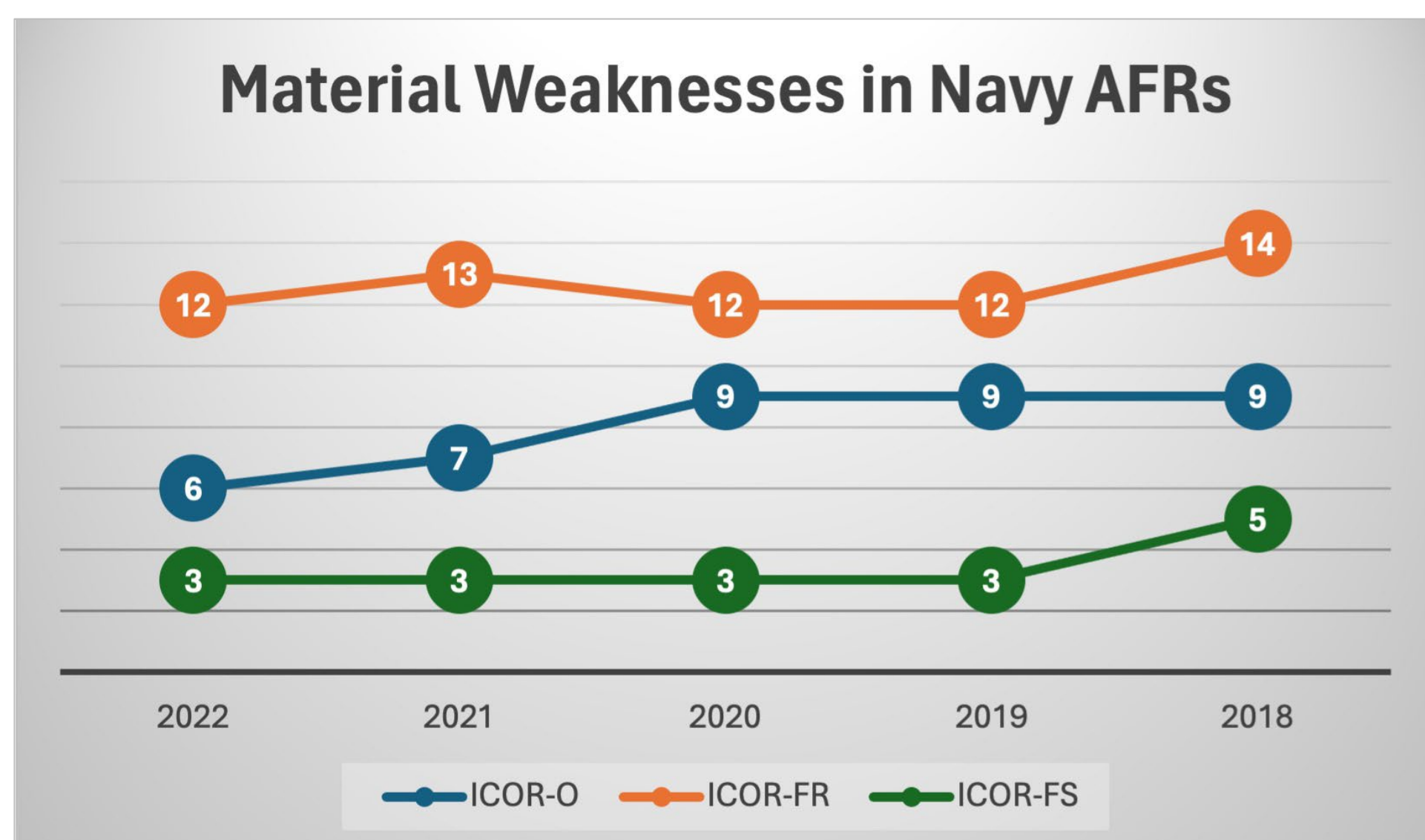


Abstract

This study aims to examine the Navy Agency Financial Reports (AFRs), with a particular focus on material weaknesses in internal controls as identified by external auditors. It will further evaluate how the Navy's contract management may be influencing these weaknesses. The identified weaknesses involving contractors will be assessed against the COSO Internal Control Framework to pinpoint the failing control components.



COSO Cube with five components of the Internal Control Framework (AIC, 2021)



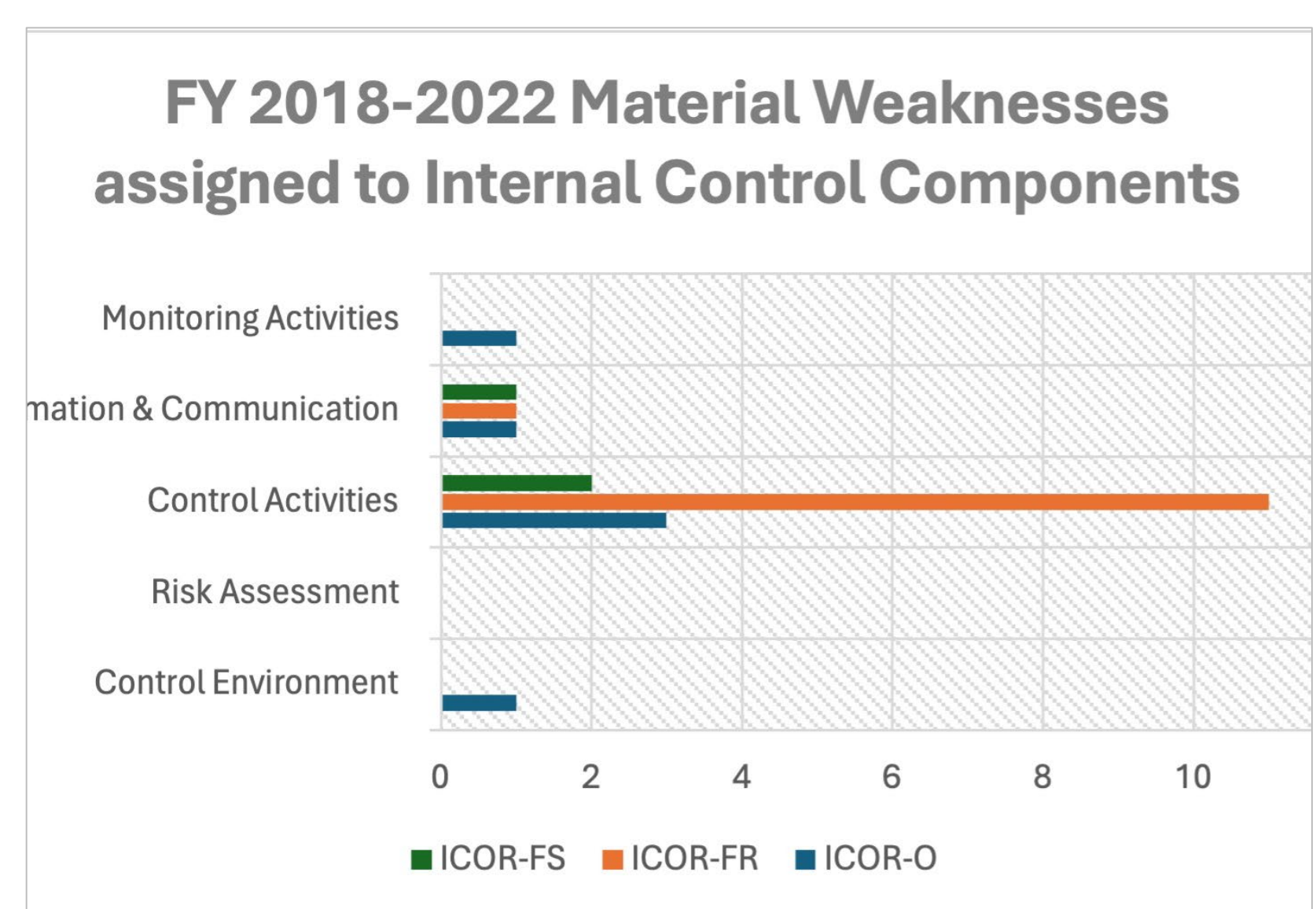
Internal Control Related Material Weaknesses in Operations, Financial Reporting, and Financial Statements

Methods

- Review of Navy Agency Financial Reports and external audit findings to identify material weaknesses in internal controls.
- Map each weakness to the relevant components of the COSO Internal Control Framework.
- Data analysis will include thematic synthesis to establish correlations between contract management practices and control deficiencies.
- The study will propose recommendations for strengthening internal controls, based on the COSO guidelines

Results & Their Impact

- Internal Controls should be the main focus to mitigate material weaknesses to avoid financial losses, operational inefficiencies, security vulnerabilities, compliance issues, resource allocation, and reputational damage.
- The DON has to conduct risk assessments more often, invest in technology, strengthen control activities, enhance training, and develop performance metric for financial reporting, operations, and systems.



Material Weaknesses assigned to Internal Control Components

Recommendations

- Enhance and Automate Reconciliation and Verification Processes (Step 1: Automated Reconciliation Tools, Step 2: Integration of Systems, Step 3: Periodic Verification, Step 4: Training and Guidelines)
- Strengthen Oversight and Monitoring of Financial Activities (Step 1: Continuous Monitoring Systems, Step 2: Enhanced Internal Audit Function, Step 3: Management Review Controls, Step 4: Whistleblower Policies and Training)