

Abstract

The Department of the Navy’s (DON) internal control environment has undergone a decade of reform, yet recurring material weaknesses continue to impede audit readiness and operational reliability. This study analyzes ten years of DON Statements of Assurance reports (FY2013–FY2022) using the COSO Internal Control Integrated Framework and the Auditability Triangle. Five recurring material weaknesses dominate the period: **Property, Plant & Equipment (PP&E), Inventory/OM&S, Financial Reporting, IT Controls, and Reconciliations & Funds Balance With Treasury (FBWT)**. While overall weaknesses declined by ~75% from FY2017 to FY2022, persistent deficiencies in Control Activities, Monitoring, and Information & Communication reveal systemic, cultural, and process-level barriers. This study identifies the structural drivers preventing closure and offers targeted, framework-based recommendations for achieving auditability by FY2027.

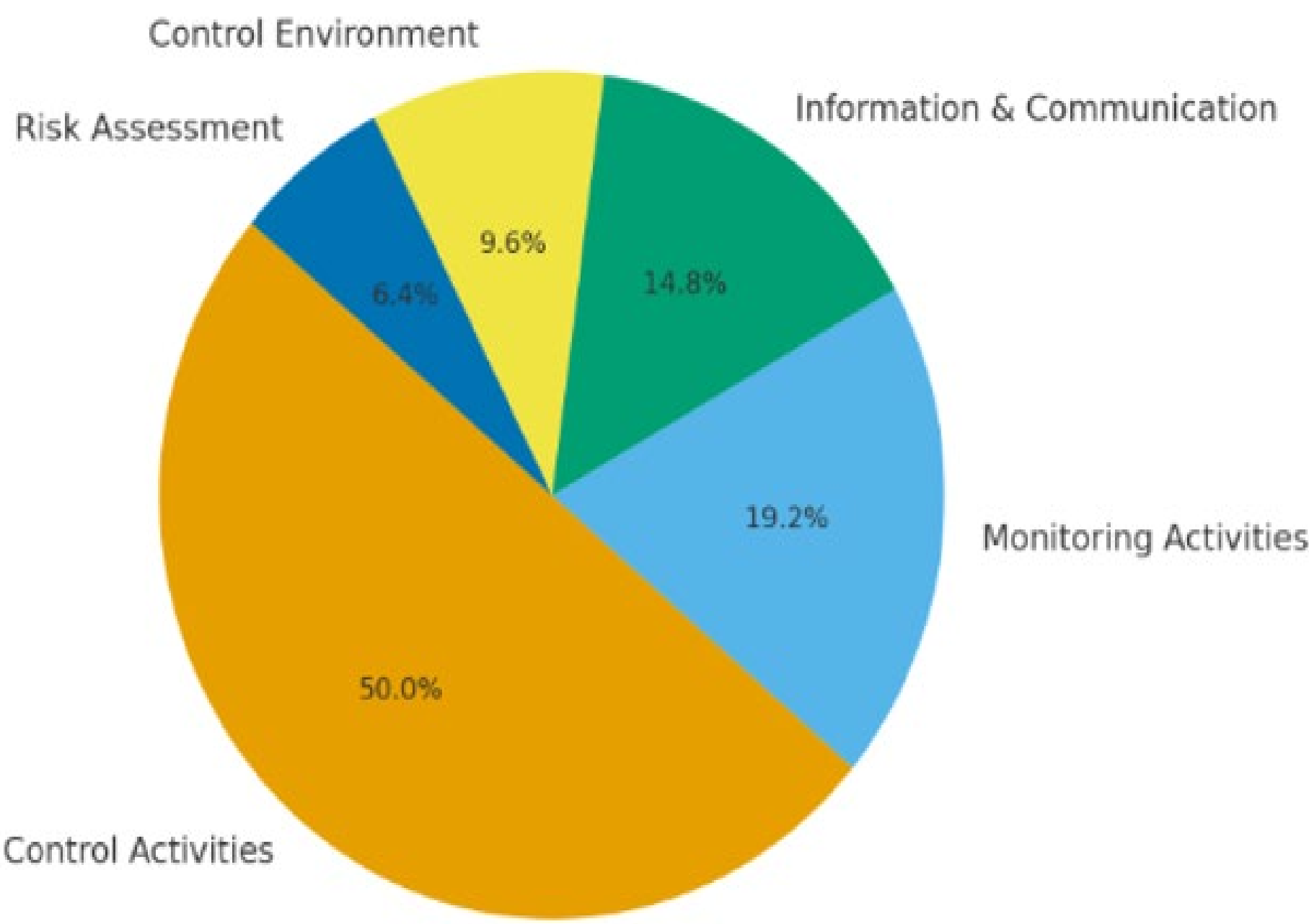


Methods

- **Documentary Analysis** of DON SOA (FY2013–FY2022) and AFR material weakness disclosures.
- **COSO Mapping** of each material weakness to the five internal control components.
- **Auditability Triangle Assessment** evaluating process maturity, documentation quality, and control execution.
- **Trend Quantification** of recurring weaknesses and closure rates.
- **Cross-walk Comparison** between operational, financial reporting, and systems-level weaknesses to identify root causes.

Results & Impact

- **Control Activities** remain the largest weakness area, mainly from PP&E, inventory, and reconciliation issues.
- **Monitoring Activities** lag because CAP validation is inconsistent and follow through and staffing stability are weak.
- **Information and Communication gaps**, especially between ERP and older systems, weaken the audit trail.
- **Risk Assessment** improved and was resolved by FY2022, but overall execution remains uneven.
- **Recent Progress:** Open weaknesses fell from 24 in FY2017 to 6 in FY2022 following major process and governance changes.
- **Remaining Challenges:** fragmented systems, limited automation, and cultural resistance continue to negatively impact auditability..



Future Research

- Compare auditability across military services to identify systemic patterns and transferable best practices.
- Evaluate how ERP modernization and emerging technologies such as automation and AI influence material weakness reduction through FY2027.
- Assess cultural and behavioral factors influencing compliance, along with risks not visible in unclassified SOA data.



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