The Navy Needs to Improve Internal Control over Its Buildings

What GAO Found

Although the United States Navy (Navy) has taken actions to become audit ready for its real property, GAO identified internal control deficiencies that impaired the Navy’s ability to assert that (1) buildings recorded in the internet Navy Facility Assets Data Store (iNFADS), the Navy’s real property system, and reported as assets in its financial statements existed and (2) all of the Navy’s buildings were recorded in iNFADS and correctly reported as assets in the Navy’s financial statements. As shown in the figure below, the effects of these internal control deficiencies contributed to the Navy (1) continuing to maintain records in iNFADS for buildings that had been demolished, sometimes many years ago, and include these buildings as assets in its financial statements; (2) excluding some of the buildings it owns from being recorded in iNFADS and reported as assets in its financial statements; (3) erroneously reporting nonfunctional buildings as assets in its financial statements; and (4) excluding certain buildings from being reported as assets in its financial statements that met or exceeded the Department of Defense’s (DOD) capitalization threshold.

Effects of Internal Control Deficiencies Impairing the United States Navy’s (Navy) Ability to Accurately Report Information on Its Buildings as Assets

The Navy has various efforts under way to address challenges in valuing its buildings for financial reporting in accordance with federal accounting standards. Navy officials have acknowledged that significant delays can sometimes occur in the Navy being able to complete supporting documentation of the final costs to properly report buildings in its financial statements. Additionally, implementation of the Navy’s new methodology to properly account for capital improvements will be critical for capturing accurate costs for buildings. Furthermore, the Navy has not consistently completed a physical inventory (asset evaluation) for each building every 5 years as required by DOD policy. These asset evaluations are an important control to help ensure that the information recorded for buildings in iNFADS is accurate. Finally, the Navy also faces a challenge in determining the placed in service dates for those buildings found through inventory procedures. The Navy’s use of the date the building was found rather than the estimated date the building was placed in service can substantially affect the accuracy of the information in the Navy’s systems and financial statements. Navy officials are aware of these challenges and have various efforts under way to address them. Effective implementation of these efforts is crucial to help address these challenges.