

Strengthening Navy Financial Accountability Through Property, Plant, and Equipment (PP&E) Reform



Naval
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Abstract

This thesis examines how deficiencies in Property, Plant, and Equipment (PP&E) accounting and acquisition practices undermine the Department of the Navy's ability to achieve a clean financial audit opinion and proposes targeted reforms to strengthen audit readiness. Using a mixed-method case study approach, the study analyzes FY2018–FY2024 audit findings, internal PP&E data, federal financial management regulations, and insights from subject matter experts. Results show that audit discrepancies stem primarily from weak documentation controls, inconsistent business processes, fragmented systems between Navy ERP and feeder systems, and high personnel turnover in key financial roles. Quantitatively, documentation and process errors account for 62% of repeat findings, while system-related issues contribute 28%. These structural weaknesses prevent the Navy from reliably demonstrating existence, completeness, and valuation for PP&E. The thesis concludes that progress toward a clean audit requires integrated reforms in governance, internal controls, systems, and acquisition practices aligned with FIAR priorities and long-term resource stewardship.

Methods

Design: Mixed-method case study (quantitative + qualitative).

Document analysis:

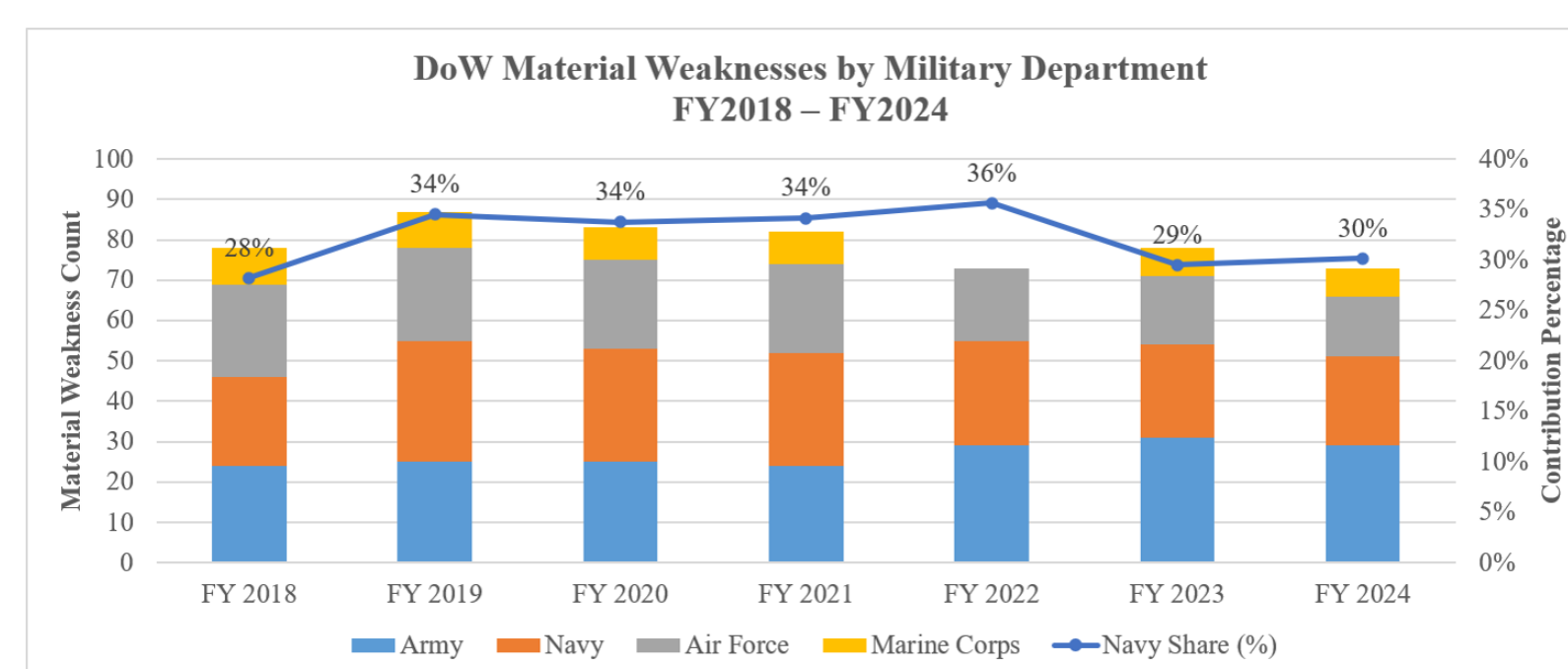
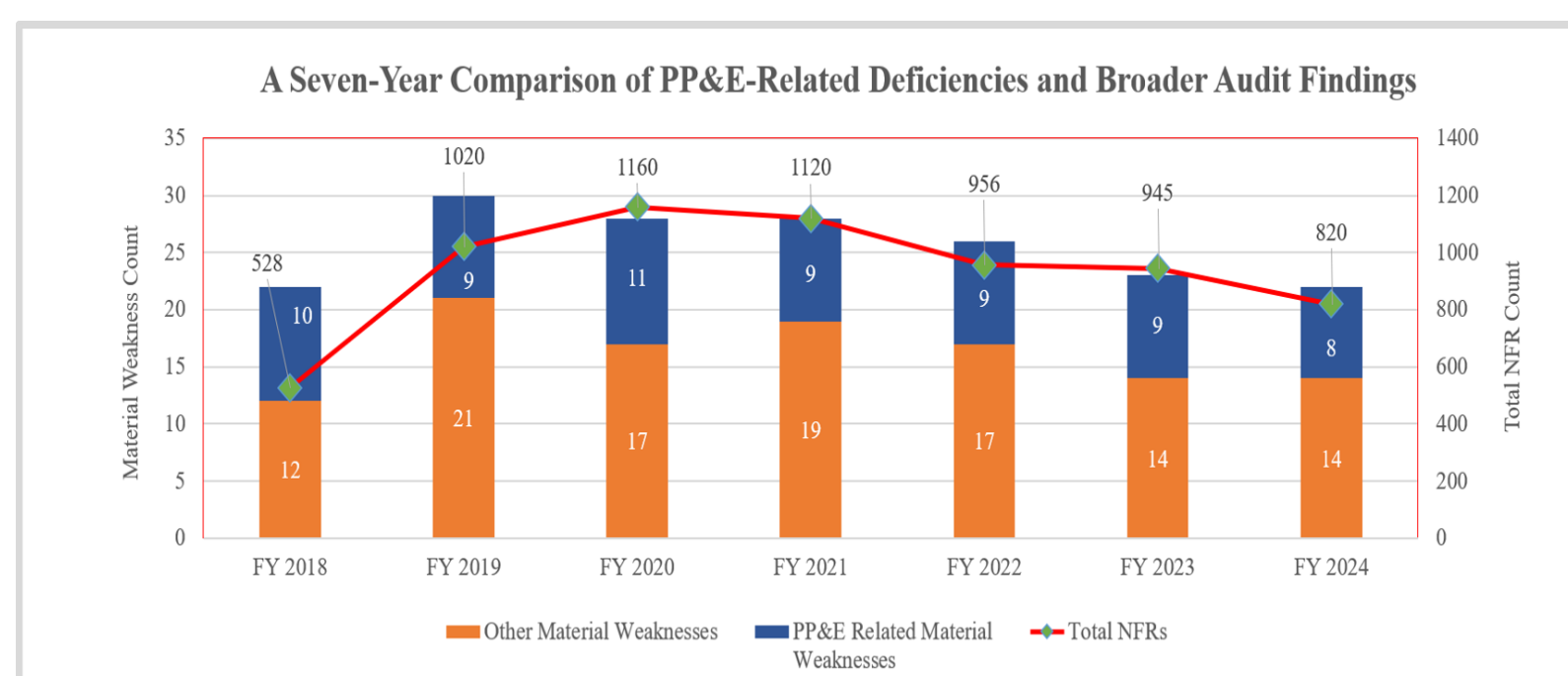
- DoWIG and GAO audit reports (FY18–FY24)
- DoN financial statements and PP&E findings

Policy and framework review:

- PP&E accounting standards (FASAB/SFFAS)
- DoD Financial Management Regulation (FMR)
- FIAR guidance and PP&E-related remediation efforts

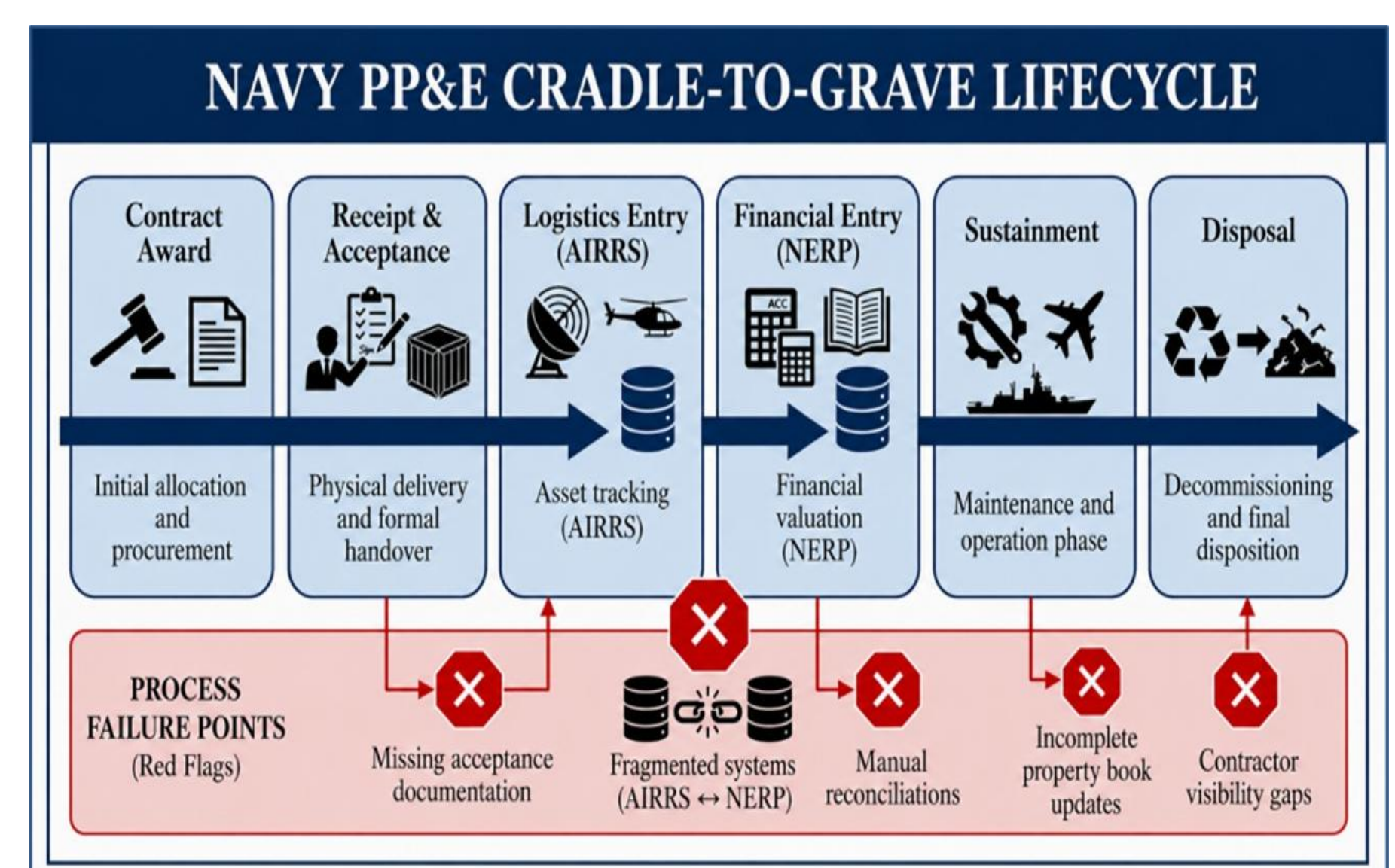
Subject matter expert insights:

- Semi-structured interview with NAVAIR FIAR expert
- **Data synthesis:**
- Trend analysis of PP&E material weaknesses and NFRs across FY18–FY24
- Trend analysis of DoW Wide Material Weakness by Military Department (FY



Results & Impact

- PP&E related Material Weaknesses accounted for 30% - 45% of total Navy material weakness across the 7-year period
- DoN's assets account for ~ 49% of the Department of War's total assets as of FY 2024
- With exception of a couple fiscal years, the Navy drives the largest share of DoW PP&E material weaknesses (28% - 36%)
- Contractor-held property is a major contributor to DoD-level disclaimers
- Internal control failures persist despite years of FIAR investment
- Significant deficiencies identified on all Property types and financial asset assertions (existence, completeness, presentation & disclosure, Valuation Methodology, and IC)
- Most importantly, misalignment between acquisition processes and accounting requirements is a key issue



Recommendations:

1. Establish a Navy-wide PP&E Governance Council
2. Conduct a Navy-wide control rationalization review
3. Implement a tiered, risk-based inventory model
4. Develop a unified enterprise PP&E data environment
5. Expand automation & Robotic Process Automation across PP&E segments
6. Strengthen documentation requirements at the acquisition phase
7. Close the contractor held property blind spot
8. Adopt a hybrid audit strategy



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