



2026 CAV Symposium – Audit Campaign

Presented to:

NWCF-SM Inventory Industry
Partners

Presented by:

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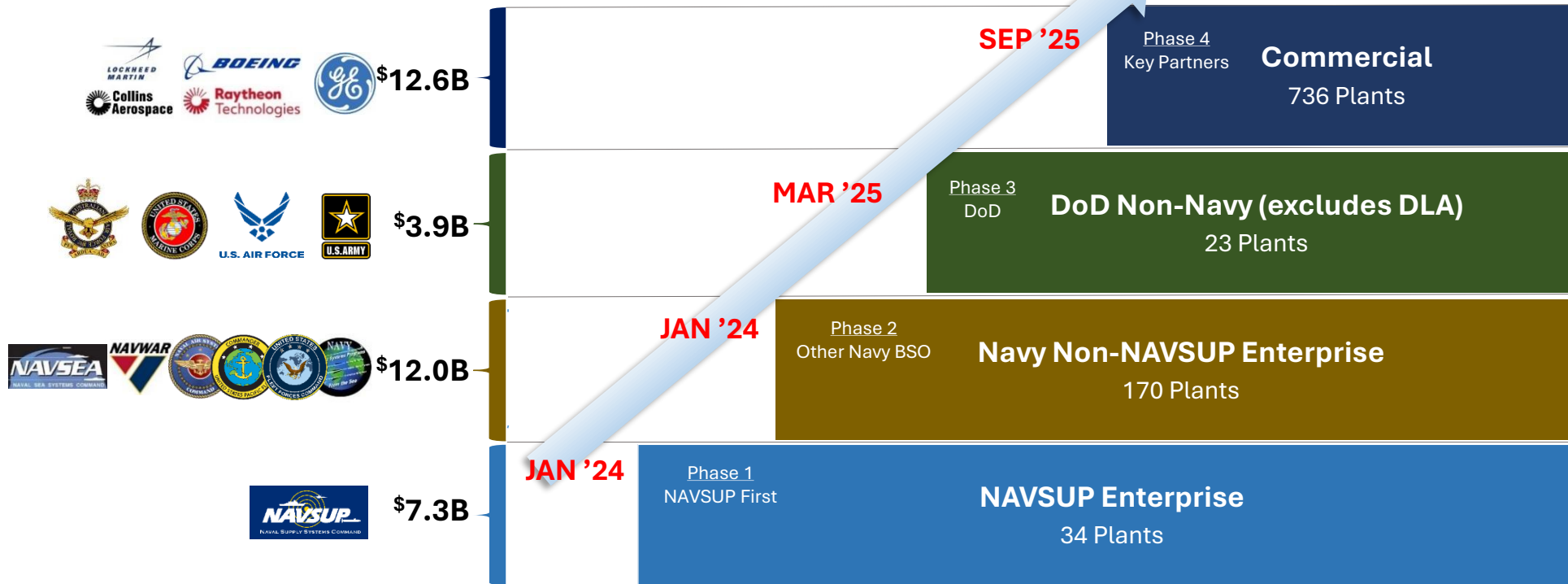
Agenda

- **Audit Campaign Plan Timeline**
- **FY26 Metrics**
- **Commercial Site Visits – Existence & Completeness (E&C)**
- **Commercial Control Testing of Small Plants**
- **Inventory Confirmation Process**

Audit Campaign Plan

NAVSUP Audit Campaign Plan (ACP) Phasing

Targeted Completion Date of NWCF-SM Inventory: 2026



30 DLA Plants
Valued at ~\$29.8B not included



*Plant numbers based on March 19, 2026, COOP List and \$ values based on October 1, 2025, COOP List / ERP data. *\$68B accounts for rounding

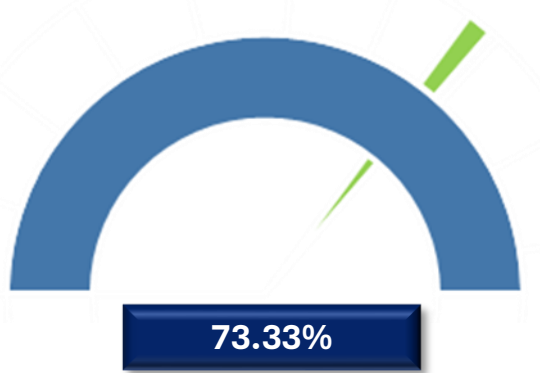
Four Phase Campaign Plan - \$68B* Navy Working Capital Fund – Supply Management

FY26 Metrics

FY26 Commercial Oversight Testing Results

E&C Testing Results – All Exceptions

Inv Accuracy – Range (NIIN)



Inv Accuracy – Depth (Qty)



Plants:.....	12
NIINs Sampled (Range):	180
NIINs w/Exceptions:	48
Qty Sampled (Depth):	2.6K
Qty w/Discrepancies:	237

FY23 & 24 Commercial Oversight Testing Results

FY 23 E&C Testing Results – All Exceptions

Inv Accuracy – Range (NIIN)



76.55%

Inv Accuracy – Depth (Qty)



87.69%

Plants:..... 75
NIINs Sampled (Range):..... 1.9K
NIINs w/Exceptions:..... 440
Qty Sampled (Depth):..... 54.1K
Qty w/Discrepancies:..... 6.7K

FY 24 E&C Testing Results – All Exceptions

Inv Accuracy – Range (NIIN)



62.59%

Inv Accuracy – Depth (Qty)

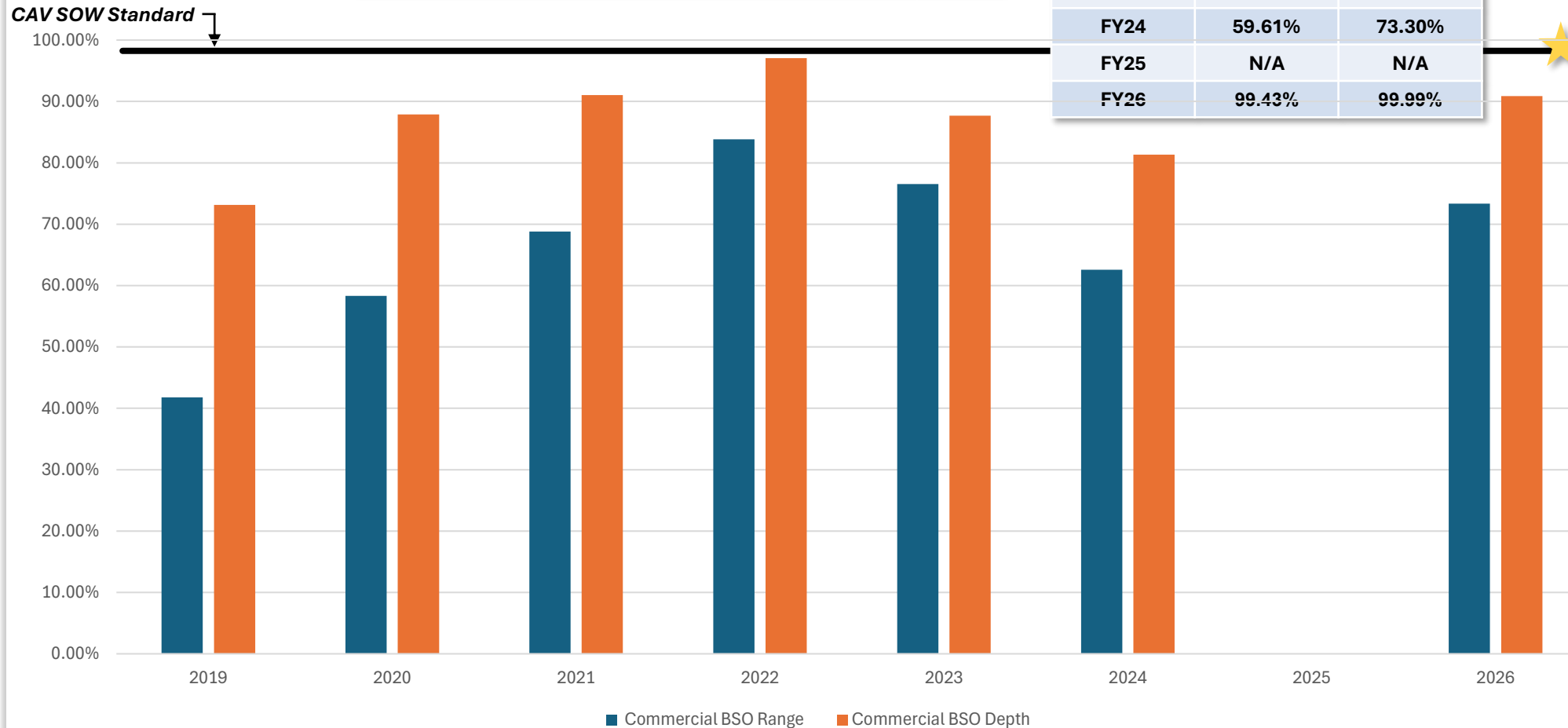


81.32%

Plants:..... 47
NIINs Sampled (Range):..... 1.1K
NIINs w/Exceptions:..... 395
Qty Sampled (Depth):..... 20.5K
Qty w/Discrepancies:..... 3.8K

FY19 – FY26 Commercial Testing Results

Commercial Oversight Testing Results FY19-FY26



EY Results	Range	Depth
FY19	37.68%	79.48%
FY21	63.80%	95.65%
FY24	59.61%	73.30%
FY25	N/A	N/A
FY26	99.43%	99.99%

Completion Date: FY26 100% Accuracy

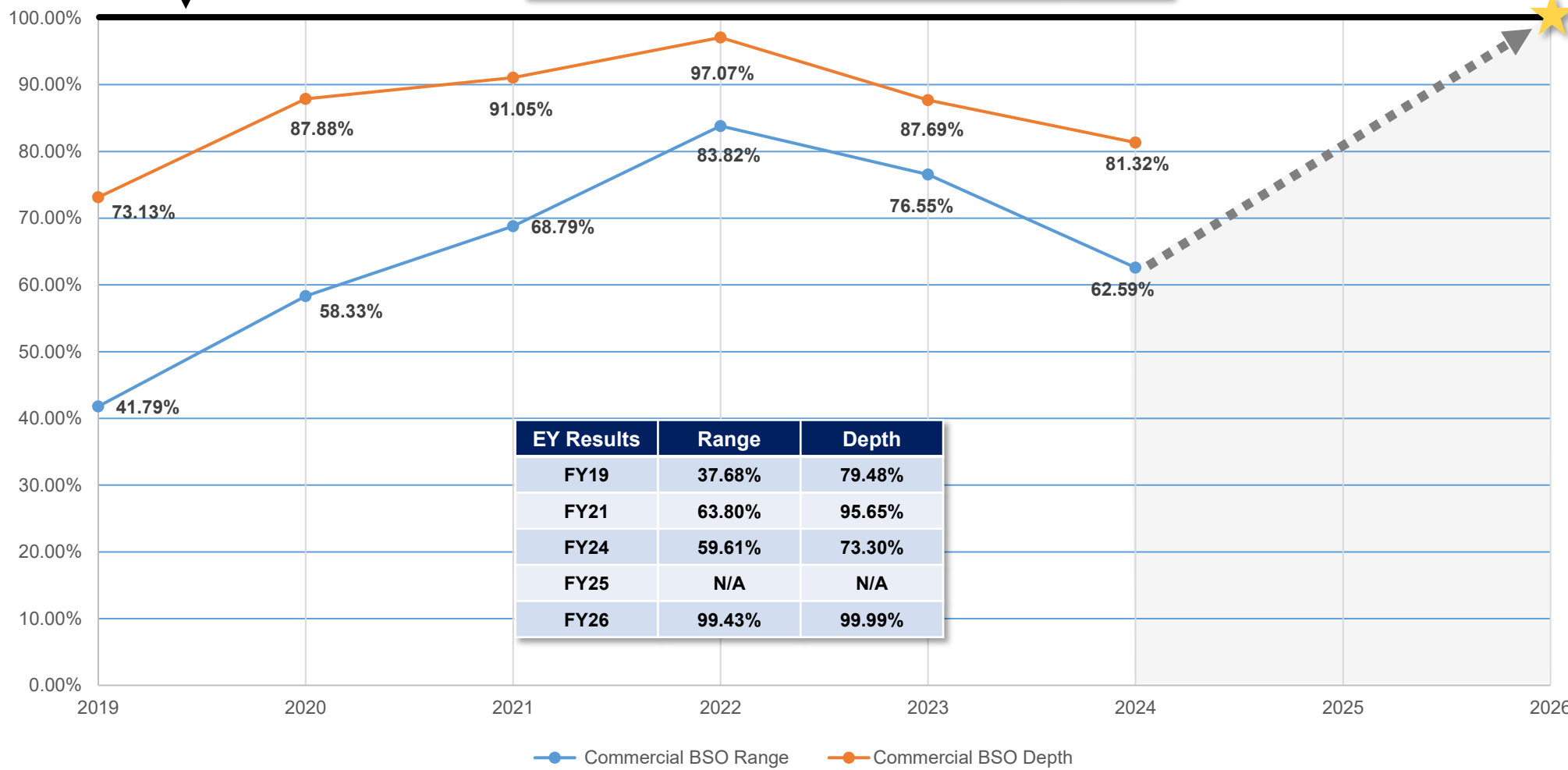
- FY25 – Commercial oversight visits were not conducted
- Demonstrate compliance with CAV SOW processes necessary to close gap and meet standards
- Testing failures linked to incorrect admin i.e., proper evidencing (KSDs) & accurate / timely transaction posting
- Adhering to our plan, now shifting focus to Phase IV
- Small sample sizes for Phase IV with only 10 plants completed in FY26

FY19 – FY24 Commercial Testing Results

UNCLASSIFIED

CAV SOW Standard

Commercial Oversight Testing Results FY19-FY26



EY Results	Range	Depth
FY19	37.68%	79.48%
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FY25	N/A	N/A
FY26	99.43%	99.99%

**Completion Date: FY26
100% Accuracy**

- Demonstrate compliance with CAV SOW processes necessary to close gap and meet standards
- Testing failures linked to incorrect admin i.e., proper evidencing (KSDs) & accurate / timely transaction posting

UNCLASSIFIED

Commercial Site Visits – Existence & Completeness (E&C)

External E&C Site Visits

▪ Independent Public Auditors (IPA) Ernst & Young (EY) Testing Event

- Vendors selected by EY Navy Working Capital Fund (NWCF)– Inventory team
- Coordinated in con-junction with NAVSUP HQ

▪ Top Three (3) Vendors

- Lockheed Martin, Boeing, and General Electric were selected for FY26 audits
- Decision based on vendors holding/repairing a significant \$ amount in NWCF assets
- Statistical Sampling Approach – provides the most coverage over our NWCF financial statements



External E&C Site Visits

UNCLASSIFIED

1. Lockheed Martin – AAR Corp- Windsor, CT (CQAT): Week of March 2nd

- **Samples Tested:**
 - 109 NIINs (Depth) – 6,617 EAs (Range)
 - Tested with 1 Exception
 - Inventory Accuracy Rate = 99%

2. Boeing – FA18 Wholesale Storage- Lemoore, CA (CQDG): Week of March 16th

- **Samples Tested:**
 - 95 NIINs (Depth) – 1,731 EAs (Range)
 - Tested with No Exception
 - Inventory Accuracy Rate = 100%

3. General Electric – Traincraft Inc- Jacksonville, FL (CQXT, CQ2M, and CQMZ)

- Visits scheduled for the week of May 4th, 2026



NAVSUP Testing Event:

■ Plant Selections

- Selected by NAVSUP HQ & WSS
- High-value NWCF inventory on-hand
- Not currently under IPA testing (E&C/Confirmations)
- Case-by-case (e.g., EY prep, prior unfavorable results)

■ FY26 Schedule

- January–June
- 38 plants selected
- Led by CAV Analysts
- RIAOs provide full/partial support as needed



Commercial Controls Testing

Commercial Asset Control Evaluator (CACE)

- Purpose:** From an auditor’s perspective, controls testing is necessary because it determines whether an organization’s processes can be trusted—not just whether the numbers happen to be correct at a point in time.

Section 4 – Testing Information																
	Final Testing Results				Detailed Testing Failure Results										Other Information	
	Pass Count	Pass %	Fail Count	Fail %	KSD	Posted within 7 BDs	Date	Name	Signature	Document Number	NIIN	QTY	Condition Code	Serial Number	FY Quarter	Total Tested Samples
Receipts			15	100%		13		15	15						N/A	25
Issues	1	10%	9	90%		6	4	4	4					From		
Disposals														To		
Material In Repair																
Totals	1	4%	24	96%		19	4	19	19							

- Outcome:** Transaction-level sampling testing methodology
 - Performed virtually based on internal scheduling by NAVSUP HQ
 - Previous quarter transactions will be retrieved, and 45 randomized transaction will be selected
 - Transaction categories: Receipt, Issue, Disposal, and Material In Repair
 - Testable attributes identified from the CAVSOW:
 - KSD retention, Posting within 7 BDs, Date, Name, Signature, Document Number, NIIN, QTY, Condition Code, and Serial Number = **10 Testable Attributes**

Commercial Asset Control Evaluator (CACE)

Transaction-Level Sampling – CONTROL TESTING:

- Implement a transaction-level sampling & testing approach across processes
- Send WARNORD for upcoming testing
- Require vendors to submit KSDs upon request
- Sample, don't test all transactions; compare all relevant data elements to ensure timeliness, completeness, and accuracy
- Align sampling with FAM 450.07 guidance



15 Receipts
15 Issues
10 Material In Repair
5 Disposal

Testing Phase
450 – Perform Sampling Control Tests

Figure 450.1: Sample Sizes and Acceptable Numbers of Deviations

90 percent confidence level			
Table I		Table II	
Tolerable rate of deviation of 5 percent (Use for determining sample sizes in all cases)		Tolerable rate of deviation of 10 percent (Use for evaluating sample results only if preliminary assessment of control risk is low and deviations exceed those in table I)	
Sample size	Acceptable number of deviations	Sample size	Acceptable number of deviations
45	0	45	1
78	1	78	4
105	2	105	6
132	3	132	8
158	4	158	10


The auditor may use table I to determine the sample sizes necessary to support the preliminary assessments of controls in all cases and to conclude on the effectiveness of the controls. The auditor may use table II to evaluate sample results only when the preliminary assessment of financial reporting control risk is low and the number of deviations found exceeds the acceptable number of deviations from table I.

The AICPA has other examples in its guidance, and the table factors are within the range of the AICPA examples and are statistically valid. If an auditor chooses to use factors other than tables I and II, the auditor generally should consult with the audit sampling specialist.

Inventory Confirmation Process

In Fiscal Year (FY) 2025, NAVSUP executed Inventory Confirmation procedures in support of the Department of the Navy's (DoN) Working Capital Fund (WCF) financial statement audit and opening balance requirements. As part of NAVSUP's continued commitment to audit readiness and financial integrity, this process will continue in FY26 and beyond to support the year-end closing balance.

- **Big Picture**
- **End to End Process Flow**
- **Execution Timeline**
- **Next Steps**



NAVAL SUPPLY SYSTEMS COMMAND

Standard Operation Procedure

Navy Working Capital Fund Supply Management

Inventory Confirmations

COMMERCIAL ASSET VISIBILITY (CAV) STATEMENT OF WORK
NAVSUP WSS MECHANICSBURG-PHILADELPHIA
VERSION 8.6, Effective FY26

INTRODUCTION

1. The CAV Repairables Portal (RP) requirement is to provide an inventory receipt shipment reporting system for Government-owned assets while at the repair facility and to monitor contract compliance for these assets as they flow through the repair cycle. The Contractor is responsible for complying with the requirements of the contract and this Statement of Work (SOW).
2. The CAV RP provides Navy Planners with visibility of Navy-owned materiel through all stages of the repair cycle. CAV RP transactions automatically update Navy which enables NAVSUP WSS access to real-time information critical to manage decisions. In addition to allowing Navy Planners to better manage their materiel, accurate and timely CAV RP updates are necessary to DoD audit readiness.
3. The CAV RP also provides the means to track in-transit shipments to and from the Contractor.
4. The Contractor acknowledges that this CAV RP SOW may be updated from time throughout this contract, and agrees at all times to adhere to the version of CAV RP SOW posted at the following web address:
<https://www.navsupsup.navy.mil/NAVSUP-Enterprise/NAVSUP-Weapon-System-Support/Provisions-Instructions-and-Contract/>. When a new version of the CAV RP SOW is implemented, notifications will be sent via e-mail correspondence (generally from the CAV Analyst) to the Contractor. The Contractor is also required to regularly check the website above for updates.

OBJECTIVE

This SOW identifies specific actions and tasks required to ensure that CAV RP contractual reporting requirements are satisfied.

CAV RP SECURITY REQUIREMENTS

A. Contractors are encouraged to access CAV RP using Chrome or Microsoft on a Windows platform.

What Is It?

Inventory Confirmation is a substantive audit procedure where NAVSUP requests inventory balances from Commercial and DoD partners (3rd Party Custodians) from their local systems and reconciles those balances to Navy ERP (book-to-book).

Reconciliation

Remediation

What We Are Proving

- The inventory physically exists
- The quantities are accurately recorded
- NAVSUP maintains accountability and control
- Financial statement balances are not materially misstated

Why It Matters (Enterprise Impact)

- Supports NWCF financial integrity
- Satisfies DoD FMR & audit requirements
- Directly supports the Existence & Completeness assertions
- Reduces material misstatement risk
- Protects NAVSUP's audit opinion

FY26 Confirmations:

- **NAVSUP will continue to conduct quarterly dry runs throughout the year to ensure readiness and smooth execution in preparation for 09/30/2026 and continue quarterly runs in the future**
 - **Second Round:** All NWCF-SM Material as of EOD 03/31/2026 | Response Due Date: NLT 04/07/2026
- **What will need to be sent:**
 - 03/31/2026 Asset Listings from vendor's local system
- **Vendors/Plants with continued non-compliance**
 - Subjected to more frequent confirmation testing (based on performance)
 - Subjected to in-person IPA E&C testing
 - Subjected to Navy internal E&C and Controls testing