DOD FINANCIAL MANAGEMENT

Actions Are Needed on Audit Issues Related to the Marine Corps’ 2012 Schedule of Budgetary Activity

Why GAO Did This Study

After being identified in August 2009 as the pilot military service for an audit of its SBR, the Marine Corps received disclaimers of opinion on its fiscal year 2010 and 2011 SBRs. Because of difficulties in locating supporting documents for prior fiscal years, in June 2012, DOD leadership decided that the Marine Corps would prepare and subject to audit a Schedule of Budgetary Activity that would include only current year activity on fiscal year 2012 appropriations. In December 2013, the DOD OIG issued an unqualified opinion on the Schedule.

GAO was asked to assess the 2012 audit results, GAO (1) determined the extent to which the OIG’s audit met professional standards, (2) analyzed the status of Marine Corps actions on recommendations, and (3) identified any DOD-wide implications from the audit. GAO reviewed auditor documentation, re-performed certain tests, evaluated Marine Corps corrective action plans and statuses, and determined whether other military services and DOD would likely encounter similar issues. GAO met with DOD OIG auditors and Marine Corps and DOD Comptroller officials.

What GAO Found

GAO found that in certain key audit areas, the Department of Defense (DOD) Office of Inspector General (OIG) did not perform sufficient procedures, under professional standards, and consequently did not obtain sufficient, appropriate audit evidence to support the audit opinion on the Marine Corps’ Fiscal Year 2012 Schedule of Budgetary Activity (Schedule). GAO found that the OIG did not perform sufficient procedures to determine (1) the completeness of transactions reported on the Schedule, (2) the reliability of certain evidence used to support transactions included on the Schedule, (3) whether budgetary activity was recorded in the proper period and shipment obligations were properly recorded. In addition, the OIG did not properly consider and evaluate the audit evidence in concluding and reporting on the results of the audit.

For example, about half of the Marine Corps’ reported fiscal year 2012 budgetary activity originated in non-payroll feeder systems. However, the OIG did not perform sufficient procedures to determine the completeness of the data transferred to the general ledger from the non-payroll feeder systems, although the OIG had reported control weaknesses over feeder system transfers in the 2 prior year audits that the Marine Corps had not yet fully addressed. Also, the OIG did not perform sufficient procedures to determine the reliability of data in certain feeder systems that were used as support when the Marine Corps could not locate or provide original support for some of the OIG’s sampled transactions. The OIG stated that certain audit testing in subsequent audits was expanded to address GAO’s concerns.

On March 23, 2015, the OIG withdrew its fiscal year 2012 audit report, stating that facts identified in the audit of the Marine Corps’ fiscal year 2014 Schedule raised questions about the completeness of information on which the 2012 opinion was based. The OIG has indicated that once additional information has been gathered and analyzed, it will revisit its fiscal year 2012 audit opinion in light of its analysis and determine whether the report should be reissued.

GAO also found that the Marine Corps had made limited progress in addressing auditor recommendations since the audit of its fiscal year 2010 Statement of Budgetary Resources (SBR). For example, as of December 2013, the Marine Corps had not completed action on 130 of the 177 OIG recommendations. In commenting on GAO’s report, the Marine Corps noted that it has subsequently remediated numerous recommendations. GAO has not assessed these subsequent corrective actions.

GAO identified DOD-wide implications from the Marine Corps audit related to challenges in assuring the (1) completeness of budgetary transactions, (2) reliability of data generated by DOD agencies’ business processes and systems, and (3) proper fiscal year recording of obligations and outlays. Actions to address these challenges will help ensure the reliability of DOD component agencies’ financial information; however, until such actions are complete, DOD and its component agencies likely will continue to face significant challenges in having reliable budgetary information for decision making on DOD missions and operations and achieving auditability of their budgetary information.