

August 21, 2002



Audit Oversight

**Quality Control System at U.S.
Special Operations Command
Inspector General Audit Division
(D-2002-6-008)**

Office of the Inspector General
of the Department of Defense

Quality

Integrity

Accountability

Report Documentation Page

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OAIG-AUD (ATTN: AFTS Audit Suggestions)
Inspector General of the Department of Defense
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Acronyms

GAS
USSOCOM

Government Auditing Standards
U.S. Special Operations Command

August 21, 2002

MEMORANDUM FOR INSPECTOR GENERAL, U.S. SPECIAL OPERATIONS
COMMAND

SUBJECT: Review of the Quality Control System at U.S. Special Operations Command
Inspector General Audit Division (Report No. D-2002-6-008)

We are providing this report for your information and use. We considered management comments on a draft of this report when preparing the final report. Management comments conformed to the requirements of DoD Directive 7650.3.

Our review of the Audit Division was in response to a command request to ensure compliance with Government Auditing Standards (GAS) that require, "Organizations conducting audits in accordance with GAS should have an external quality control review at least once every 3 years by an organization not affiliated with the organization being reviewed."

Background. The Audit Division provides the Commander, U.S. Special Operations Command (USSOCOM) with professional auditing services to safeguard, account for, and ensure the proper use of special operations forces assets in accomplishing the USSOCOM mission. The Audit Division reports to the USSOCOM Inspector General who reports to the Commander, USSOCOM. The Deputy Inspector General, Audit Division, is the supervisory auditor over three auditors. The Audit Division provides audit support for four special operations commands that report to the Headquarters, USSOCOM: Air Force Special Operations Command, U.S. Army Special Operations Command, Naval Special Warfare Command, and the Joint Special Operations Command. Appendix A contains a summary of the Audit Division policy and procedures.

Quality Controls Review Objective. The objective of the review was to determine whether the internal quality control system of the Audit Division was in place and operating effectively to provide reasonable assurance that established policies, procedures, and applicable auditing standards were being complied with in the conduct of its audits. The Audit Division conducted one audit from which it issued one draft and two final audit reports during October 1998 through February 2002, the period reviewed.

Review Results. The Audit Division has a quality assurance system in place that provides reasonable assurance that GAS are followed. However, the three reports issued from October 1998 through February 2002 were not timely for effective management use and in accordance with the second Government Auditing Standard for reporting on performance audits.

Timeliness of Audit Work. The Audit Division did not issue timely reports to management during the period October 1998 through February 2002. The second Government Auditing Standard (GAS 7.6) for reporting on performance audits requires the auditors to issue a report to make the information available for timely use. The Audit Division issued a total of one draft and two final audit reports during the period October 1998 through February 2002. Following is a chronology of audit milestones.

- In 1998 the Commander, USSOCOM requested an audit of purchase card use throughout USSOCOM.
- The survey phase on the purchase card procedures was conducted from July 1998 through July 1999. During audit survey phase, the audit team identifies the primary audit objectives and designs an audit approach that will maximize audit effectiveness. USSOCOM Directive 36-1 states that while the scope of audit survey will vary, a survey will usually take from a week to 3 months to complete.
- Because of training, command, and inspection requirements, no work was completed on the project from July 1999 to August 2000.
- The audit was announced on August 30, 2000. The announcement marked the start of fieldwork and site visits to the 12 activities. The original audit plan was to review purchase card procedures at all 12 activities and issue one combined report. However, as the review progressed, it became apparent that a separate report was needed for each chain of command for effective implementation of the recommendations. As a result, seven reports will be issued, one for each chain of command and one summary report for the Commander, U.S. Special Operations Command. At the time of our review, one draft and two final reports have been issued. The draft report was issued final on July 22, 2002 subsequent to a draft of this report. See Table on page 3.
- The audit report phase started once the fieldwork was completed at all 12 activities in July 2001. Because site visits were not concurrent, and reports to the commanders were not issued as the fieldwork at the command activities was completed, reports were issued more than a year after work was completed. For example, although work reviewed at the first activity was not completed until September 2000, 1 year and 4 months elapsed before a draft report was issued on January 25, 2002.

In an effort to be consistent in reporting the review, the auditors extracted data at the start of the review that related to FY 2000 purchases. Because of the extended review period, data reviewed did not address the most recent purchases and current issues relating to purchase cards. For example, the auditors visited Special Operations Command Pacific in June 2001 and reviewed purchases from October 1999 through September 2000. The data were 9 months old when the review started. Because the data were not current during the review, the final report that was issued in October 2001 had addressed issues relating to data that were more than a year old. The following Table provides the timelines for the three reports reviewed.

| Timelines | | | |
|---------------------------|----------------------------------|----------------------------|----------------------------|
| <u>Date of Site Visit</u> | <u>Dates of Records Reviewed</u> | <u>Draft Report Issued</u> | <u>Final Report Issued</u> |
| Sep 2000 | Oct 1, 1999 - Jun 30, 2000 | Jan 25, 2002 | Jul 22, 2002 |
| Feb 2001 | Oct 1, 1999 - Sep 30 2000 | Oct 1, 2001 | Feb 26, 2002 |
| June 2001 | Oct 1, 1999 - Sep 30 2000 | Aug 27, 2001 | Oct 23, 2001 |

When the decision was made that reports to the 12 activities were needed, the Deputy Inspector General, Audit Division, could have also considered the timing of the reports to the 12 activities and if the timeframe of the data reviewed was still appropriate. Issuing individual command reports at the end of the audit work can provide more timely information and prompt correction of deficiencies at the commands. Planning audits takes into account many factors in determining how best to meet the audit objective. Such factors include the size of the universe to be reviewed, the resources available to the audit organization, and the needs of management regarding timelines and information. In planning such broad audits for the future, the Audit Division should consider timeliness and implementation as part of the planning process. It should also be recognized that procedures in place might change over an extended period of time. Therefore, when the audit spans an extended timeframe, the auditor must consider the procedural changes and determine whether the review is still relevant, and in some instances, the auditors must complete audit steps to ensure that reporting is based on current processes.

Recommendation. The Inspector General, U.S. Special Operations Command should reemphasize the Government Auditing Standards requirement to report findings and recommendations in a timely written report. This could be accomplished by developing a metric to measure auditor performance against goals set in the annual audit plan.

Management Comments. Management concurred with the recommendation. Comments fully conform to the requirements of DoD Directive 7650.3.

We appreciate the courtesies extended during the review. If you have questions on this report please contact Mr. Martin T. Heacock at (703) 604-8756. Appendix B lists the report distribution. The review team members are listed inside the back cover.



Patricia A. Brannin
Deputy Assistant Inspector General
for Audit Policy and Oversight

Appendix A. Quality Control Review Process

Scope

The Audit Division issued three audit reports between October 1998 and February 2002. The 3 reports issued, (1 draft and 2 final) addressed the use of purchase cards at 3 of the 12 activities visited.

Methodology

During the week of March 17 to 22, 2002, we conducted a quality control review of the audit function for the Audit Division in effect for the period October 1998 through February 28, 2002. We used the guidelines and checklists established by the President's Council on Integrity and Efficiency as amended February 2002 to ensure that our review was in conformance with GAS. We used the President's Council on Integrity and Efficiency, Appendix F, checklist items relating to performance audits to review:

- Staff Qualifications;
- Independence;
- Due Professional Care;
- Quality Control;
- Audit Planning;
- Supervision;
- Evidence and Working Papers;
- Internal Controls;
- Illegal Acts, Other Noncompliance and Abuse; and,
- Reports on Performance Audits.

We adjusted the President's Council on Integrity and Efficiency guidelines and checklists as appropriate to reflect the size of the Audit Division. We considered several factors in applying the President's Council on Integrity and Efficiency guidelines, such as the size of the Audit Division, the degree of operating autonomy allowed, and the nature of work. In conducting the review, we reviewed the three audit reports issued in the period reviewed and associated working papers for the reports.

Prior Quality Control Reviews

Inspector General of the Department of Defense

The Assistant Inspector General for Auditing completed a review of the USSOCOM Internal Review audit function in October 1998. No major deficiencies were reported.

USSOCOM Audit Policies and Procedures

USSOCOM Directive 36-1, Audit Policies and Procedures, November 2, 1999, provides guidance on the operation of audits within USSOCOM. USSOCOM Directive 36-1 implements DoD Directive 5010.38, Management Control (MC) Program, August 26, 1996, that requires all DoD organizations implement a comprehensive system of management controls to provide reasonable assurance that programs are operating as intended and to evaluate and report the adequacy of the controls. To implement an internal quality control system, the Audit Division developed a series of checklists to review planning, supervision, and reporting. Our review indicated that the checklists and a detailed audit program developed by the Audit Division provided an adequate internal quality control system as required by GAS and DoD Directive 5010.38.

Appendix B. Report Distribution

Other Defense Organizations

Commander, U.S. Special Operations Command
Inspector General, U.S. Special Operations Command

Congressional Committees and Subcommittees, Chair and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency, Financial Management, and
Intergovernmental Relations, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations,
Committee on Government Reform
House Subcommittee on Technology and Procurement Policy, Committee on Government
Reform

United States Special Operations Command Comments



UNITED STATES SPECIAL OPERATIONS COMMAND
7701 TAMPA POINT BLVD.
MACDILL AIR FORCE BASE, FLORIDA 33621-5323

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AUG 01 2002

MEMORANDUM FOR: THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE
(MS PATRICIA BRANNIN), 400 ARMY NAVY DRIVE, ARLINGTON, VA 22202-4704

SUBJECT: Review of the Quality Control System at U.S. Special Operations Command
Inspector General Audit Division (Project No. OA-0073)

1. We have reviewed and discussed your 2 July 2002 draft report on the recent Quality Review of the USSOCOM IG-Audit Branch.
2. We concur with the report as discussed.
3. We appreciate the audit services you provided and look forward to working together in the future.

for Sherry A. Parker
ALFRED RODRIGUEZ
Colonel, U.S. Air Force
Inspector General

Team Members

The Deputy Assistant Inspector General for Audit Policy and Oversight, Office of the Assistant Inspector General for Auditing of the Department of Defense prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

Carolyn R. Davis
Martin T. Heacock
Delpha W. Martin
Krista S. Gordon
Ashley A. Harris