

**BY ORDER OF THE COMMANDER
AIR FORCE AUDIT AGENCY**



**AIR FORCE AUDIT AGENCY
INSTRUCTION 65-101**

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Financial Management

**INSTALLATION-LEVEL AUDIT
PROCEDURES**

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This instruction, which implements Air Force Audit Agency (AFAA) Policy Directive 65-1, *Internal Auditing*, contains procedures and responsibilities for accomplishing installation-level audits within the Air Force. This instruction incorporates government auditing standards required by the Comptroller General and is mandatory for all AFAA elements when performing their specified duties and responsibilities. This instruction is not intended to provide specific guidance for every situation or condition auditors may encounter in conducting an audit. Accordingly, auditors must consult appropriate levels of AFAA management for guidance as necessary. This instruction does not apply to employees assigned to Air Force Reserve Units, the Air National Guard (ANG), or the Civil Air Patrol. This publication requires the collection and/or maintenance of information protected by the *Privacy Act of 1974*. The authorities to collect and/or maintain the records prescribed in this publication are Department of Defense Instruction (DoDI) 7600.02, *Audit Policies*, and Air Force Instruction (AFI) 65-301, *Audit Reporting Procedures*.

All AFAA elements are encouraged to submit suggested changes to this instruction, through appropriate channels, to HQ AFAA/DOV using AF Form 847, *Recommendation for Change of Publication*. HQ AFAA/DOV may approve or issue instructions to implement or supplement the procedures contained herein. Requests for waivers to this instruction must be submitted to HQ AFAA/DOV in writing. In addition, directorates may issue operating instructions (OIs) to implement or supplement the procedures in this publication. Directorates should provide HQ AFAA/DOV and HQ AFAA/DORI a copy of all new or revised OIs.

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SUMMARY OF CHANGES

This document has been substantially revised and must be completely reviewed. Major changes include: updates to reflect changes in guidance and requirements contained in the 2007 *Government Auditing Standards*; updates and changes related to implementation of CCH® TeamMate (hereafter referred to as TeamMate) electronic working papers; changes necessitated by the transition from the Defense Audit Management Information System (DAMIS) to the AFAA Management Information System (AFAA MIS); clarification of requirements and procedures based on 2008 Peer Review results; and rescission of AFAA Form105, *Discussion Sheet*.

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Chapter 1

AUDIT LIFE CYCLE AND MANAGEMENT

1.1. Overview. The audit life cycle begins with the planning phase and extends through audit reporting. The audit team consists of the auditor, team chief, and office chief. This chapter provides general background information on the audit process.

1.2. Installation-Level Audit Process. The audit life cycle consists of three phases: planning, application, and report processing. The planning phase encompasses all the actions needed to define the audit's objectives, outline the scope, document the methodology, and thoroughly plan the audit. The planning phase ends with completion of the audit program. During the application phase, auditors gather adequate evidence to support audit results and provide a basis for specific recommendations. The audit team then prepares the audit report to clearly present identified exceptions and recommendations so management can take appropriate corrective actions without the need for further review or study. The application phase ends with receipt of management comments. During the report-processing phase, the audit team receives and evaluates management comments, prepares and distributes the final report, and selects recommendations for subsequent follow up.

1.2.1. Planning Phase. Audit planning begins when the audit team issues the audit announcement memorandum and begins research. This phase ends when the audit team completes the approved audit program.

1.2.1.1. Research. During the planning phase, the audit team acquires background information needed to prepare the audit program, identifies deficient conditions (potential exceptions) and their probable causes, identifies significant internal controls and forms a preliminary assessment of their effectiveness, and assesses the risk of fraud. Based on planning results, the audit team either undertakes a full audit or discontinues the audit.

1.2.1.2. Audit Program. After deciding to initiate a full audit, the audit team identifies and limits the audit objectives to those fulfilling the audit purpose. The team then develops audit steps for each objective that fully document and substantiate the potential exceptions, underlying causes, and effect identified during research.

1.2.2. Application Phase. Audit application includes data gathering, summarization and analysis, validation, draft report writing, and sending the report out for comment. The application phase begins when the auditor starts applying the audit program and ends when the audit team receives management comments.

1.2.2.1. Data gathering includes all the field work the auditor performs, as outlined in the audit program, to gather evidence supporting the audit objectives and potential exceptions.

1.2.2.2. Summarization and analysis includes compiling and evaluating audit results, drawing conclusions, and identifying potential exceptions.

1.2.2.3. Validation is the discussion of potential audit results with management during the audit. Management either agrees with (validates) the audit results or management disagrees and provides evidence supporting their opposing position. As a result of the

discussions, additional audit testing may be necessary to obtain further support for the audit exceptions or to validate the new evidence presented by management.

1.2.2.4. The draft report portion of the application phase includes drafting the audit report, reviewing the draft report, discussing the report with management, and distributing the report for comment.

1.2.3. Report Processing Phase. The report-processing phase begins when the audit team receives management comments and ends with final report distribution. This phase includes evaluating management comments, preparing the final report, publishing and distributing the final report, and selecting recommendations for follow up.

1.3. Installation-Level Audit Responsibilities. The following paragraphs provide general responsibilities for conducting installation-level audits.

1.3.1. Office Chief Responsibilities. Office chiefs are the second-level supervisors for installation-level audit projects. Office chiefs will:

1.3.1.1. Develop and compile the annual audit plan and forward it to the region chief for approval (reference AFAAI 65-103, *Audit Management and Administration*, Chapter 10).

1.3.1.2. Approve audit starts, overall objectives, and project plans.

1.3.1.3. Review and approve the optional Exception Report in accordance with directorate policy.

1.3.1.4. Monitor audit progress and performance, and approve requests for deviation from the approved project plan (e.g., changes in project milestones, resources, or objectives).

1.3.1.5. Promptly act on identified problems (such as access denials and disagreements with management officials) team chiefs elevate for resolution. Forward problems that cannot be resolved locally to the region chief.

1.3.1.6. Review and approve draft audit reports for release to management and assure they comply with government auditing standards and AFAA policies and procedures.

1.3.1.7. Ensure required quality assurance procedures (e.g., supervisory review and independent referencing) are accomplished in accordance with AFAAI 65-105, *Internal Quality Control Program*.

1.3.1.8. Review working papers in accordance with directorate policy. If the directorate does not specify, the minimum requirement is one set of audit working papers per team every 6 months. Office chiefs will use either the Working Paper Review Checklist on the AFAA Home Community of Practice (CoP) or a similar locally developed checklist. After completing the working paper review, the office chief will discuss the results with the auditor and team chief. In addition, the office chief will maintain a file of completed working paper review checklists for ready reference. **Note:** Office chiefs should normally select completed projects for review.

1.3.2. Team Chief Responsibilities. Team chiefs are the first-level supervisors for installation-level audit projects. Team chiefs will:

1.3.2.1. Maintain contact with local management and Air Force Office of Special Investigations (AFOSI) officials, and develop issues to include in annual audit plans. Team Chiefs should contact AFOSI offices at bases they are responsible for at least quarterly to discuss potential areas of fraud.

1.3.2.2. Provide auditors with project assignments, guidance, technical assistance, and training.

1.3.2.3. Participate in developing and finalizing the optional Exception Report, in accordance with directorate policy.

1.3.2.4. Monitor audit progress and performance and keep the office chief informed of project status in accordance with area audit office (AAO) policies and procedures. Team chiefs should use the Project Status Report template located in the TeamMate library or a suitable locally developed report for this purpose.

1.3.2.5. Ensure auditors conduct all assignments in accordance with government auditing standards and AFAA audit policies and procedures.

1.3.2.6. Review and sign-off on all audit working papers. Document review results using TeamMate coaching notes.

1.3.2.7. Assist auditors in planning the audit, review the planning-phase working papers, evaluate the planning-phase research results, and approve the audit program.

1.3.2.8. Monitor application activities to verify auditors achieve all audit objectives. As time permits, accomplish periodic site visits during the audit application phase.

1.3.2.9. Act on identified problems (e.g., access denial or disagreements with management officials). Elevate problems that cannot be resolved to the office chief.

1.3.2.10. Evaluate requests to deviate from audit project milestones, resources, or objectives. If deemed appropriate, elevate requests to the office chief for approval.

1.3.2.11. Participate (to the maximum extent possible) in in-brief, validation, and out-brief discussions with management officials.

1.3.2.12. Review and approve draft audit reports before office chief review.

1.3.2.13. Appoint an auditor not associated with the audit to independently reference the draft report before soliciting management comments.

1.3.2.14. Review and approve the evaluation of management comments before office chief review.

1.3.3. Auditor Responsibilities. Auditors manage assigned audit projects in accordance with government auditing standards and AFAA policies and procedures. Auditors will:

1.3.3.1. Document all work performed and evidence gathered in electronic working paper files in accordance with AFAAI 65-103, Chapter 6 and Attachments 6 and 7. The auditor must use the latest TeamMate library on the AFAA Home CoP to prepare and maintain working papers. Auditors may add to, but not delete from, the AFAA-approved TeamMate library.

1.3.3.2. Respond to and clear all TeamMate coaching notes.

1.3.3.3. Perform planning work using the latest version of the *Local Audit Planning Program* available in the TeamMate Local Template Library. Evaluate planning results, formulate audit objectives, and prepare the audit program.

1.3.3.4. Develop audit exceptions in accordance with AFAA and directorate policy.

1.3.3.5. Gather data in accordance with the audit program; answer all audit steps and assure sufficient, appropriate evidence is gathered to reach a conclusion on each announced objective; and validate the audit conclusions with management officials.

1.3.3.6. Resolve or elevate problems (such as access denial or disagreements with management officials; significant audit results requiring interim reporting; and the potential need to deviate from audit milestones, resources, or objectives).

1.3.3.7. Summarize audit results, identify report issues, prepare the draft report, and elevate the completed draft to the team chief for approval. Once approved, discuss the report with management officials.

1.3.3.8. Evaluate management comments, prepare the final report, and complete and finalize the working papers.

1.4. Audit Project Management.

1.4.1. Project Planning. AFAA developed the AFAA Management Information System (AFAA MIS) to plan and manage individual audit projects. The Project Plan Report is the primary AFAA MIS product personnel use to manage audit projects. At the start of each assignment, the audit team enters project information (milestones and resources) in the AFAA MIS. The audit team continuously updates the AFAA MIS to reflect actual milestone completion and resource utilization.

1.4.2. Cancellations. When announced audits are subsequently cancelled, the audit team will prepare a notification memorandum stating reasons for the cancellation and send the memorandum to each addressee that received the original announcement.

1.5. Legal and Technical Assistance.

1.5.1. Legal Consultation. Audit teams can obtain opinions, interpretations, or clarifications from legal experts at assigned installations when issues arise related to locally initiated audit efforts.

1.5.1.1. Major Command. When the audit team cannot obtain adequate guidance locally, request assistance from major command (MAJCOM) personnel after first coordinating with the office chief and applicable AFAA MAJCOM representative.

1.5.1.2. HQ USAF. If necessary, the team chief may elevate issues through AFAA channels to HQ USAF. For example, the Air Force General Counsel (SAF/GC) will provide AFAA with advisory legal interpretations on issues requiring a final Air Force position. Reference AFAAI 65-103, Chapter 16.

1.5.2. Technical Consultation. To the maximum extent possible, installation-level auditors should obtain technical expertise from the centrally directed audit (CDA) divisions. Collectively, the associate directors, program managers, and audit managers assigned to these divisions possess a high degree of knowledge within their respective areas of responsibility. Direct questions or requests for information to the applicable CDA division. The appropriate

Functional Area Center of Excellence can be accessed from the AFAA Home CoP. To obtain technical assistance outside AFAA, follow the procedures in AFAAI 65103, Chapter 20.

1.6. Timely Audit Completion. Timely audit completion provides an essential service to management and meets the audit standard for timely reporting. Toward this end, audit teams (auditor, team chief, and office chief) should establish realistic milestones in AFAA MIS at the start of each audit, and the office chief should carefully review monthly AFAA MIS reports to monitor team progress in meeting the resource and milestone targets.

1.6.1. To assist in making timely decisions relative to the audit resource investment, the office chief should establish thresholds (resource and milestone) that, if exceeded, require a briefing from the audit team.

1.6.2. When it is necessary to exceed the resources or milestones specified for application of a CDA, follow the guidance in AFAAI 65-103, Chapter 4.

1.7. Audit Working Papers. The auditor will prepare working papers for each project in standard AFAA format following the guidance in paragraph 3.3 and AFAAI 65-103, Chapters 5 and 6. Auditors will start each audit using the latest TeamMate library available on the AFAA Home CoP for installation-level audits. In addition, AFAA-specific toolbars provide shortcuts for more efficiently preparing audit working papers. All working papers, templates, toolbars, and other files mentioned within this instruction are available through the AFAA Home CoP and the “101 Reference Locator”.

1.8. Exception Report. The Exception Report is an optional tool for the audit team to use in reaching consensus on the essential attributes of each exception. The goal is to obtain early agreement on the exception attributes, thus reducing report writing and processing time. Each directorate will develop its own policy for using the Exception Report. The auditor can use the Exception Report during validation discussions; however, do not leave copies with management after discussions.

1.9. Audits Involving Non-Air Force Activities. When auditors conducting installation-level audit projects (not CDAs) discover they need to obtain information from or issue reports to non-Air Force activities, they must first contact HQ AFAA/DOO, through their chain of command, to obtain assistance. If appropriate, HQ AFAA/DOO will coordinate with the Department of Defense Office of the Deputy Inspector General for Auditing (ODIG-AUD) to arrange access to non-Air Force activity personnel and records or process the report. This coordination could take up to 30 days, so advance planning is extremely important. **Note:** For CDA projects, the audit manager will obtain all required ODIG-AUD coordination (through HQ AFAA/DOO). Also, for purposes of this discussion, the coordination may need to occur with the Army Audit Agency or Naval Audit Service. Reference AFAA 65-103, Chapter 3, for procedures on audits involving non-Air Force activities.

Chapter 2

AUDIT PLANNING

2.1. Overview. The main purpose of the planning phase is to obtain all the information needed to determine the audit scope and objectives and to develop the plan for subsequent in-depth audit work. The actual amount of planning work accomplished will vary from audit to audit and depend mainly on the audit team's experience, familiarity with the subject area, and understanding of the control environment. This chapter identifies planning-phase responsibilities and provides guidance for conducting the audit planning phase. The TeamMate Local Template Library contains a *Local Audit Planning Program*, which provides additional guidance for conducting the planning phase of installation-level audits.

2.2. Planning Responsibilities.

2.2.1. The office chief will:

2.2.1.1. Coordinate with team chiefs on and approve new audit assignments.

2.2.1.2. Verify the audit planning phase was conducted in accordance with government auditing standards and AFAA policies and procedures during working paper reviews (reference paragraph **1.3.1.8**). Provide feedback on the reviews to the team chiefs and auditors. The Working Paper Review Checklist, available on the AFAA Home CoP, provides guidance for conducting the planning-phase review.

2.2.1.3. Review a sample of audit programs during site visits to assure the programs included all required elements. Provide feedback on the reviews to the team chiefs and auditors.

2.2.2. The team chief will:

2.2.2.1. Coordinate audit subject assignments with the office chief.

2.2.2.2. Informally coordinate with the local AFOSI detachment commander on planned audits that may involve fraud. This action is primarily a courtesy to keep the local AFOSI detachment informed of current areas of audit interest. A possible by-product is the informal exchange of information of mutual interest.

2.2.2.3. Continuously monitor auditor progress during the planning phase, provide assistance as needed, and assure the auditor conducts the planning phase in accordance with government auditing standards and AFAA policies and procedures.

2.2.2.4. Ensure the auditor uses the *Local Audit Planning Program* and either completes each required step or provides rationale for not completing the step.

2.2.2.5. Review planning-phase working papers periodically, based on auditor skill level and experience, and document the review with TeamMate coaching notes following the procedures in paragraph **3.3.3**. The team chief will:

2.2.2.5.1. Complete the review before the auditor enters the application phase.

2.2.2.5.2. Electronically sign-off on each working paper reviewed.

2.2.2.6. Review and approve the auditor's program for the application phase and ensure the program includes the agreed-upon objectives and a series of steps that would reasonably accomplish each objective. The team chief will also approve any changes the auditor makes to the audit program during the application phase.

2.2.3. The auditor will:

2.2.3.1. Conduct the audit planning phase in accordance with government auditing standards and AFAA policies and procedures (reference AFAAI 65-103, Chapter 8).

2.2.3.2. Prepare the audit announcement memorandum for team chief signature and in-brief the audit.

2.2.3.3. Use the *Local Audit Planning Program* to conduct the audit planning phase. The auditor will answer each step in the planning program and will not answer a planning-phase step "NA" without providing rationale and obtaining team chief approval.

2.2.3.4. Document the results of planning-phase discussions, audit tests, internal control reviews, etc. in working papers following the guidance in paragraph 3.3 The auditor will hyperlink the *Local Audit Planning Program* responses to the supporting working papers.

2.2.3.5. Summarize the planning-phase results in a working paper that also provides rationale for either continuing or terminating the project.

2.2.3.6. Prepare an audit program that includes the audit objectives and a series of steps to answer each objective. The audit program will include the elements described in paragraph 2.8

2.2.3.7. Respond to the team chief's coaching notes by answering questions, responding to general comments, and accomplishing any additional directed tasks.

2.3. Subject Selection and Coordination. The assignment of audits is normally an office chief responsibility. However, the process varies among offices and is usually the result of a collective effort on the part of the office chief, team chief, and auditor. **Note:** The process of identifying potential audit subjects for and preparing the annual audit plan is described in AFAAI 65-103, Chapter 10.

2.3.1. Selection. Team and office chiefs should assign audit projects from the annual plan consistent with the criteria in AFAAI 65-103, Chapter 10. Factors to consider include skill, experience, and interests of the auditor; time constraints, if any; and subject priority.

2.3.2. Coordination. Before assigning a locally initiated audit project, the team chief will ensure the proposed project does not conflict with a recently completed, ongoing, or planned CDA (reference AFAAI 65-103, Chapter 10). In making this determination, the team chief should review the current Annual Plan, CDA reports listed on the AFAA Home CoP, AFAA MIS Web Reports and the DAMIS Corporate View. If the team chief has any doubts about potential conflicts, the team chief should contact the associate director for the subject area. **Note:** The team chief should provide search results obtained pursuant to this requirement, if any, to the assigned auditor (paragraph 2.5.2.2).

2.3.2.1. If a planned local audit potentially conflicts with a prior, ongoing, or scheduled CDA, the team chief must (prior to starting the local audit) contact the appropriate

associate director and obtain approval to start the audit. If approved, the team chief will provide coordination documentation to the auditor for inclusion in the working papers.

2.3.2.2. This limitation is intended to preclude potential “double jeopardy” where the CDA report includes an Air Force-wide recommendation for corrective action, and then a subsequent installation-level report makes essentially the same recommendation to a local commander. The local commander should already have action underway to correct the conditions as a result of HQ Air Force or MAJCOM direction in response to the Air Force-wide audit recommendation. This policy should also preclude the potential for double counting potential monetary benefits (PMB). If the CDA team projected PMB Air Force-wide, then a subsequent installation-level audit team will not claim PMB for essentially the same audit result.

2.3.2.3. This limitation does not apply where circumstances warrant otherwise such as commander interest, suspected fraud, or follow-up efforts on local work performed as part of a CDA. However, in those circumstances, the installation-level report will cite the Air Force-wide report of audit and its audit results and recommendations.

2.4. Planning—Initial Requirements. At the start of each audit project, the team chief will provide the auditor a completed Project Plan Report and discuss with the auditor the scope, objectives, and basic approach of the audit planning. The auditor will then complete and distribute the audit announcement memorandum, in-brief management, and conduct preliminary research.

2.4.1. Audit Announcement Memorandum. The audit team provides applicable commanders written notification at least 2 weeks prior to the start of each audit (locally initiated audits and CDAs). A TeamMate template provides guidance for preparing the audit announcement memorandum. **Note:** Audit teams should not provide advance notification for cash counts or other audits where surprise is essential in accomplishing the audit objectives.

2.4.1.1. Memorandum Contents. The audit memorandum will:

2.4.1.1.1. Identify the audit title and project number in the subject line.

2.4.1.1.2. Identify the organizations to be audited (if not obvious).

2.4.1.1.3. Identify the audit start date and objectives, to the extent known at the time the memorandum is prepared.

2.4.1.1.4. Identify the assigned auditor, telephone number, e-mail address, and security clearance.

2.4.1.1.5. Request the names, telephone numbers, and e-mail addresses of the subject area focal points.

2.4.1.1.6. Offer to schedule an in-brief or provide an opportunity for management to express any concerns.

2.4.1.1.7. Ask unit commanders about potential deployments, exercises, and inspection conflicts.

2.4.1.1.8. Include team chief signature block and distribution. Distribution will include all local offices affected by the audit, the installation and MAJCOM audit

focal points, the installation and MAJCOM gatekeepers (paragraph 2.4.1.2), and the responsible AFOSI detachment.

2.4.1.2. Installation and MAJCOM Gatekeepers. The audit team will send the audit announcement to the applicable base and MAJCOM gatekeepers for locally initiated audits. For CDA application the local audit office will notify the base gatekeeper, and the CDA management team will notify the MAJCOM gatekeepers. AFAA maintains MAJCOM gatekeeper addresses on the AFAA Home CoP. Gatekeepers will screen the audit announcement memorandum against upcoming deployments, exercises, and inspections. **Note:** When auditing ANG activities, do not send the announcement memorandum to the ANG gatekeeper.

2.4.1.2.1. Provide the audit announcement only to the MAJCOM gatekeeper responsible for the unit audited. For example, if the audit will occur at an Air Combat Command tenant unit located on an Air Mobility Command installation, provide the audit announcement to the Air Combat Command gatekeeper, not the Air Mobility Command gatekeeper.

2.4.1.2.2. Provide the audit announcement memorandum to gatekeepers concurrently with sending it to the auditee.

2.4.1.2.3. If advised that a scheduled audit conflicts with a deployment, exercise, or inspection, the AAO should consider postponing or canceling the audit or selecting alternate units.

2.4.1.2.4. AAOs should also be sensitive to unusual workload demands in organizations that do not directly support flying missions, such as buying centers (e.g., a source selection or an upcoming major program review). Consider deferring scheduled audits until a later date in these unusual circumstances.

2.4.1.3. Announcement Memorandum Considerations.

2.4.1.3.1. Air National Guard. AAOs should use the procedures described below on ANG-related assignments. In addition, auditors should review the *Quick Reference Guide for Auditing Within Air National Guard Units* on the AFAA Home CoP prior to the start of each audit involving an ANG activity.

2.4.1.3.1.1. Coordinate new audit assignments with the state U.S. Property and Fiscal Office Internal Review (USPFO-IR) staff to avoid duplicating work the internal review staff has already accomplished. For work planned but not accomplished, AFAA takes precedence if the circumstances dictate.

2.4.1.3.1.2. In addition to the normal requirements for an audit announcement memorandum, include planned visit dates. Coordinate subsequent changes to planned visit dates with the affected local and state units and advise the USPFO.

2.4.1.3.1.3. Forward (e-mail) the audit announcement memorandum to the unit commander, the USPFO, the State Adjutant General, the Executive Support Staff Officer, the ANG audit focal point (ANG/FMFP), and others requiring notification as coordinated with local ANG personnel and the unit commander. Provide sufficient lead time (at least 2 weeks) of an audit visit.

2.4.1.3.1.4. If the element of surprise is required, the AAO chief should notify

ANG/FMFP by telephone as soon as the audit starts, followed by an audit announcement memo.

2.4.1.3.2. Air Force Intelligence, Surveillance, and Reconnaissance Agency (AFISRA). An AFISRA unit must advise HQ AFISRA by priority message of any contact or visit by auditors. HQ AFISRA, in turn, normally contacts AFAA/SPO-C for additional information. Prior to contacting or starting audit work at an AFISRA unit, provide AFAA/SPO-C with a copy of the audit announcement memorandum.

2.4.1.3.3. Air Force Reserve Command (AFRC). Provide the AFRC and responsible numbered Air Force audit focal points a copy of the audit announcement memorandum. The e-mail addresses of MAJCOM and numbered Air Force audit focal points are on the AFAA Home CoP in the MAJCOM gatekeepers listing.

2.4.1.3.4. Other DoD Organizations. HQ AFAA/DOO is responsible for coordinating all contacts with other defense organizations (e.g., Defense Logistics Agency and Defense Finance and Accounting Service). When providing or requiring audit support, contact HQ AFAA/DOO for current coordination policies and procedures.

2.4.2. Audit In-brief. The auditor and team chief will offer to conduct an entrance conference with the commander (or the commander's designated representative) prior to beginning the audit.

2.4.2.1. Auditors will inform the commander of the audit purpose and scope, including the overall and specific objectives, and identify the estimated time period of the audit.

2.4.2.2. In-brief key personnel in the chain of command of the audited entity and other operating officials who have an interest in the audit.

2.4.2.3. Ask the commander and other unit officials if they have any recommendations regarding the scope and objectives of the audit.

2.4.2.4. Ask the commander and other unit officials if there are any reports and data they use in determining the audited activity's general health and assessing how well the activity is managed. If there are, arrange to obtain copies. Reference paragraph [2.5.6](#)

2.4.2.5. Document the results of each in-brief meeting in a related procedures step.

2.4.3. Preliminary Research. Auditors will perform preliminary research to familiarize themselves with the subject and prepare for data gathering.

2.4.3.1. Identify and review Air Force, MAJCOM, and local instructions. They provide good sources of background information, identify internal controls, and explain operational requirements.

2.4.3.2. Review reports issued by other offices covering the subject area posted on the AFAA Home CoP. If pertinent reports are found, the auditor may contact the applicable team chief and request copies of the audit program if the audit program is not already available on the AFAA Home CoP.

2.4.4. Independence Statement. All audit team members (auditor, technical expert, statistician, independent referencer, team chief, and office chief) will sign the most current independence statement at the beginning of each fiscal year (or upon initial project

assignment for new employees). The most current independence statement template is included on the AFAA Home CoP. The auditor-in-charge is responsible for ensuring a copy of each audit team member's independence statement is filed in the project file. For additional independence statement guidance, see AFAAI 65-103, Chapter 8.

2.5. Planning—Research. Auditors will gather basic background information, review prior audit coverage, perform limited tests to identify potential exceptions, identify and evaluate internal controls, assess the risk of fraud, identify management performance standards (metrics), identify computer-processed data that will be used in the audit, and obtain input from other organizations.

2.5.1. Basic Information of the Audited Entity. Acquire the following information, as applicable: primary and subordinate missions or functions, budget and resource information, organizational structure and personnel assigned, and operating instructions and other supplemental criteria.

2.5.2. Prior Audit Coverage. Review prior audit coverage by AFAA; the Office of the Inspector General, Department of Defense (DoD OIG); Government Accountability Office (GAO); or public accounting firms (may be applicable to non-appropriated fund and financial audits) within the last 5 years from the start of the current audit. If prior audit reports are identified for the application site, obtain copies of the pertinent reports. Auditors must follow up and report on recommendations made to the audited management level and location in prior reports if the recommendations relate to the current audit objectives. To identify prior audits:

2.5.2.1. Review office working paper files.

2.5.2.2. Search the AFAA report files on the AFAA Home CoP and in the DAMIS Corporate View.

2.5.2.3. Ask the audit client or the applicable audit focal point.

2.5.3. Potential Exceptions. Perform limited testing, as appropriate, to identify potential problems and their causes and effect. Do not identify potential exceptions without also attempting to identify potential causes and effect. Causes will often relate to ineffective internal controls, including lack of oversight and noncompliance.

2.5.4. Internal Controls. GAO standards require auditors to review and evaluate internal controls during all audits. The purpose is to determine if the established controls (a) are working as intended and (b) provide reasonable assurance of detecting or preventing errors, irregularities, inefficiencies, or uneconomical practices.

2.5.4.1. Identify Internal Controls. During the planning phase, the auditor will identify the internal controls (processes and procedures) established and implemented to account for and protect assets, assure accurate reporting, and efficiently and effectively accomplish the mission of the activity under review. This step is normally accomplished through review of regulations and OIs, discussions with managers and operating personnel, physical inspection, review of internal control reports (assessments performed to meet the requirements of the Federal Managers Financial Integrity Act), and reviews of prior audit reports. The five GAO standards for internal controls as outlined in *GAO Internal Control Management and Evaluation Tool*, GAO-01-1008G, August 2001, are

control environment, risk assessment, control activities, information and communication, and monitoring. Reference AFAAI 65-103, Chapter 7, for additional details on indentifying internal controls.

2.5.4.2. Flowchart Controls. The auditor must gain an understanding of the activity's control environment and flow of transactions. Flowcharts assist in this process by providing a graphic portrayal of the operation, and they help the auditor visualize and comprehend the activity's work processes. Flowcharts are also beneficial in evaluating the adequacy of controls; therefore, use flowcharts whenever feasible. However, use of flowcharting is not practicable in every instance. Time constraints and the size and complexity of the activity are factors the auditor considers before deciding to use flowcharts. When the auditor does not use flowcharts, a written narrative will suffice.

2.5.4.3. Test Controls. During the planning phase, auditors will perform limited tests to assess compliance with established controls and to form a preliminary opinion on their effectiveness. These tests will help the auditor determine the nature, timing, and extent of any additional detailed audit tests deemed necessary.

2.5.4.3.1. If the auditor concludes controls are adequate, he or she should reduce the extent of detailed testing during the application phase.

2.5.4.3.2. Conversely, if the auditor doubts the reliability of controls or elements thereof, the auditor should accomplish further in-depth audit work in the areas identified.

2.5.5. Fraud. While reviewing controls, the auditor must be alert to situations or transactions that could be indicative of fraud (errors, irregularities, and illegal acts). When auditing in areas with high potential for fraud, the auditor should review the "Fraud Indicators in Procurement and Other Defense Activities" link on the DoD OIG website as well as discuss the audit with local AFOSI personnel. The warning signals discussed below will assist the auditor in identifying potentially fraudulent situations.

2.5.5.1. Difficulty in Obtaining Evidence. This includes difficulty in obtaining audit evidence with respect to unusual or unexplained transactions, incomplete or missing documentation and authorizations, and alterations in documentation or accounts.

2.5.5.2. Inadequate Controls. Noncompliance and lack of oversight are two important control-related problems that would allow fraud to occur without detection.

2.5.5.3. Unexplained Fluctuations. Unusual or unexplained fluctuations in material account balances, physical inventories, and inventory turnover rates.

2.5.5.4. Performance Problems. Encountered performance problems such as delay tactics or evasive or unreasonable responses to audit inquiries.

2.5.5.5. Dispersed Locations. Widely dispersed locations accompanied by highly decentralized management and inadequate reporting systems.

2.5.5.6. Electronic Data Processing Weaknesses. Known continuing weaknesses in internal controls over access to computer equipment or electronic data entry devices.

2.5.6. Metrics. Metrics are objective standards management uses to assess performance. These standards may be in the form of an error rate, on-time rate, operational readiness

rating, etc. Management's success in achieving (or failure to achieve) the established metrics provides a prime indicator of the organization's effectiveness. During the audit planning phase, the auditor should gather information regarding the identified metrics. Later, during the application phase, the auditor should determine if the metrics are correctly computed and accurately reported.

2.5.7. **Computer-Processed Data.** GAO standards require that "when computer-processed data are an important or integral part of the audit and the data's reliability is crucial to accomplishing the audit objectives, auditors need to satisfy themselves that the data are relevant and reliable." During the audit planning phase, auditors will identify the computer-processed data and reports they will rely on during the application phase to support audit conclusions. During audit application, auditors will test to verify the data's reliability in accordance with AFAAI 65-103, Chapter 9 and GAO-09-680G, *Assessing the Reliability of Computer-Processed Data*.

2.5.8. **Input From Other Organizations.** Evidence obtained from a credible third party may be more competent than that secured from the auditee. Also, organizations that work with the auditee often have a good understanding of the auditee's strengths and weaknesses. Therefore, the auditor can generally benefit by obtaining input from personnel who interact with the auditee.

2.6. Planning—Working Paper Requirements. Auditors will plan, prepare, assemble, and summarize audit planning working papers for every assigned audit project, including CDAs.

2.6.1. Follow the specific procedures for uniform working paper organization and presentation required in AFAAI 65-103, Chapter 6 and this instruction, paragraph 3.3

2.6.2. Use the latest TeamMate library as specified in AFAAI 65-103, Chapter 6.

2.6.3. Beyond these procedures and requirements, auditors must use professional judgment and initiative in determining the manner of presentation.

2.7. Planning Exceptions. At the conclusion of the research portion of the planning phase, the auditor will prepare the Go-No-Go procedure that summarizes the planning procedures and provides rationale to conduct an in-depth audit or to terminate the audit without further audit work. Include the following procedure results:

2.7.1. **Background Information.** Provide sufficient detail to enable the team and office chief to understand the program, system, or function.

2.7.2. **Management Contacts.** Identify the unit officials contacted during research and their suggestions related to the audit scope, if any.

2.7.3. **Control and Fraud Assessment.** Document procedures accomplished to formulate a preliminary assessment of the effectiveness of established controls, including an assessment of the risk of abuse or illegal acts (fraud).

2.7.4. **Computer-Processed Data.** Identify the computer-processed data that will be used during the review to support audit conclusions, if any.

2.7.5. **Prior Audits.** Provide an assessment of the effects of previous audits with similar objectives on the proposed review, if any.

2.7.6. Research Results. Identify potential exceptions: condition, cause, effect, criteria, and PMB, if any.

2.7.7. Rationale to Continue or Terminate the Audit.

2.7.7.1. Continuing the Audit. Recommend conducting further audit work if (a) planning-phase results indicate the audit subject is sufficiently material or (b) planning-phase tests identified potential problems. The summary should estimate the time required to complete the audit and provide proposed completion dates for each audit phase.

2.7.7.2. Terminating the Audit. Recommend terminating the audit if (a) the audit subject is not sufficiently material and (b) planning-phase tests do not identify potential problems.

2.7.7.2.1. A report should be issued at the end of planning if the auditor accomplished sufficient work during planning to support any statement made in the report. Qualify the audit scope to ensure readers are fully aware of the limited testing done. Chapter 4 provides guidance for issuing installation-level audit reports.

2.7.7.2.2. If the audit team decides not to issue an audit report, issue a closure memorandum to the applicable commander and reference the announcement memorandum previously submitted in accordance with paragraph 2.4.1. The closure memorandum should be independently referenced when there are details, facts, or figures contained in the memorandum. Advise the commander why the audit work was terminated, and explain that an audit report will not be issued. Provide the closure memorandum to offices that received the audit announcement memorandum and others that attended the entrance conference.

2.7.8. Hyperlinks. The auditor will hyperlink (cross-reference) all pertinent elements of the planning procedures to supporting documentation.

2.8. Audit Program. The auditor must prepare a written audit program before starting any in-depth audit work. Team chiefs will review the program for adequacy and approve the program before the auditor starts audit testing. The program must provide understandable audit objectives (purpose) and a series of program steps (procedures) that will reasonably accomplish each objective. Reference the *Local Audit Planning Program*.

2.8.1. General Guidelines.

2.8.1.1. The audit program will identify the objectives of the audit and provide a systematic series of audit procedures, tests, or steps to answer each objective.

2.8.1.1.1. Gather sufficient, appropriate evidence to convince a reasonable person of the validity of the audit results. The amount and type of audit testing and evidence gathering depends upon the judgment of the auditor and team chief. For additional information, reference AFAAI 65-103, Chapter 9.

2.8.1.1.2. Design audit tests and data gathering procedures to facilitate subsequent summarization and reporting. Using spreadsheets and tables will greatly aid in summarizing data. Planning for summarization and reporting during program development will reduce the time needed to complete the audit. **Note:** If the auditor develops spreadsheets or databases for use in the audit program, the team chief should (during subsequent working paper reviews) perform basic internal consistency and

logic checks to verify the accuracy of worksheet formulas and calculations or to test the logic used in making database queries.

2.8.1.2. Follow-up Audits. When an audit's objective is to follow up on a prior report, limit the scope of the follow-up audit to the specific recommendations the prior audit team selected for follow up. Do not necessarily follow up on every recommendation in the prior report, and do not include audit tests to explore related issues that were not covered in the prior audit.

2.8.1.3. Whenever possible, the auditor should use computer assisted auditing tools and techniques (CAATTs) to obtain a 100 percent data download and draw conclusions for the entire population. Reference AFAAI 65-103, Chapter 11.

2.8.1.4. When evaluating the entire population is not feasible, use sampling, if possible, to accomplish the audit objectives and to maximize use of available audit resources. Select samples statistically whenever possible. Use of statistical sampling is essential when the need exists to estimate PMB or the extent of an error within an entire audited entity. Refer to AFAAI 65-103, Chapter 11, for additional guidance on sampling. If sampling is used:

2.8.1.4.1. Clearly identify the sampling plan and data requirements.

2.8.1.4.2. Include guidance on selection parameters and number of items for testing in the audit program.

2.8.1.4.3. Refer questions on sampling plans to Agency statisticians at March ARB.

2.8.2. Potential Exceptions. Include audit steps addressing suspected problems, probable causes, and resulting effect. Design tests to determine:

2.8.2.1. Condition. Gather sufficient, appropriate evidence to support a conclusion on each suspected problem identified in the planning phase and to determine the extent of the problem.

2.8.2.2. Cause. Determine the cause of identified problems. Causes will frequently relate to control problems (paragraph 2.8.5) such as inadequate procedures, guidance, oversight, or training. Steps should seek to identify the root cause. For example, it is not sufficient to tell management that personnel were not complying with a particular requirement--this is not the root cause. Management also needs to know if employees lacked familiarity with the requirement; did not have time to complete the requirement due to higher priorities; or lacked training to complete the requirement. Management may contribute to the problem by failing to provide oversight, assigning too few staff to a task, or underemphasizing the importance of a task.

2.8.2.3. Effect. Quantify the effect of deficient conditions. Whenever possible, design steps to capture "real" instead of "potential" effect.

2.8.3. Management's Issues. Include audit tests that provide coverage of management's suggested issues or concerns, if applicable.

2.8.4. Prior Audits. Include audit steps to follow up on the prior audit results and recommendations if, during planning, the auditor identifies prior audit coverage corresponding to the audit objectives of the current audit.

2.8.4.1. Audit steps should be sufficient to determine if management took the indicated corrective action and the action corrected the deficiency. If the condition still exists, the steps should be sufficient to fully develop a “repeat” exception. The degree of support for repeat exceptions (or to clear exceptions) is the same as AFAA requires in all audits.

2.8.4.2. Include steps to confirm the amount of PMB realized, if applicable. Unfortunately, auditors frequently cannot trace changes in requirements and/or budgets to actual hard documentation to ascertain the extent that a benefit actually occurred. However, auditors can validate PMB when management makes a collection or billing or cancels a contract or purchase request.

2.8.4.3. When applicable, fully document why follow up was not necessary or accomplished on the exceptions and recommendations in prior audits with similar objectives.

2.8.5. Internal Controls. The audit program will include audit steps to test the effectiveness of and compliance with the significant controls identified in planning research. The amount of testing will vary from audit to audit and depend on the amount of control-related work accomplished during research and the importance of controls to the objectives of the audit. Generally, the auditor will perform sufficient testing to ensure the controls in place are consistently applied. The following provides guidance to use in assessing controls.

2.8.5.1. Personnel. Are a sufficient number of technically competent employees assigned to accomplish the tasks, and have employees received adequate formal and on-the-job training?

2.8.5.2. Documentation. Are transactions and other significant events clearly documented, promptly recorded, and properly classified? Is the documentation readily available for examination?

2.8.5.3. Authorization. Are transactions and other significant events properly authorized and executed only by persons acting within the scope of their authority?

2.8.5.4. Separation of Duties. Are key duties in authorizing, processing, recording, and reviewing transactions separated among individuals?

2.8.5.5. Safeguarding and Access. Is access to resources and records limited to authorized individuals, and is accountability for resources assigned? Are resources periodically reconciled to accountability records?

2.8.5.6. Computer Systems. For computer-processed data, are system application controls in place, are procedures documented for entering data into the computer system, and is access to the computer system controlled?

2.8.5.7. Oversight. Is qualified and continuous oversight provided to ensure personnel comply with existing controls and internal control objectives are achieved?

2.8.5.8. Compliance. If the system has a process to detect errors, perform sufficient testing to satisfy yourself that the process has been implemented. If the system requires a separation of duties, verify that one person does not have access to all steps of the process. If a process requires approval, perform sufficient testing to ensure the proper individuals are reviewing the task before providing the approval.

2.8.6. Fraud and Illegal Acts. Include steps which provide reasonable assurance for detecting fraud when auditing in areas where the potential for fraud exists and (a) planning-phase audit tests indicated the existing controls were not effective or lacked compliance, or (b) controls were not tested in the planning phase. High risk areas for fraud, illegal acts, waste and abuse include: labor costs, billing systems and related reviews, indirect costs, contracting, in theatre operations, travel, payroll, worker's compensation, asset misappropriation, base allowance for housing, retail operations, and the purchase card program.

2.8.7. Metrics. Verify the accuracy of any metrics identified during planning (paragraphs 2.4.2.4 and 2.5.6). Include steps in the program to determine if:

2.8.7.1. Unit personnel computed the metrics correctly. This involves confirming the documentation is complete and accurate and the metric calculations are accurate.

2.8.7.2. Unit personnel reported the metrics accurately. This involves performing sufficient testing to determine if the metric calculations were accurately and completely reported to management.

2.8.8. Tests of Computer-Processed Data. Government auditing standards require auditors to determine the reliability of computer-processed data when the data is crucial to accomplishing the audit objectives. Consequently, whenever an auditor relies on computer-processed data and reports as evidence to support an audit result, the audit program must include tests to verify the accuracy of the data and reports. **Note:** If auditors use the computer-processed data only for background or informational purposes, citing the source of the data is sufficient. Refer to AFAAI 65-103, Chapter 9, and GAO-09-680G, *Assessing the Reliability of Computer-Processed Data*, for additional information on data testing methods and associated reporting.

2.8.8.1. The two types of data testing methods are auditing around the computer (manual) and auditing with the computer (automated). While the auditor may use either method, or a combination of both, the manual method is the most common method used to test data reliability in installation-level audits.

2.8.8.2. Sufficient testing will be accomplished and specific work performed documented to allow the auditor to reach a conclusion regarding data reliability.

2.9. Centrally Directed Audit Program. The centrally directed audit program (CDAP) is applicable to audit projects intended to produce an Air Force-level audit report.

2.9.1. AFAAI 65-102, *Centrally Directed Audits*, Chapter 2, requires audit managers to include appropriate CDAP steps for planning the local audits. If the CDAP does not include planning-phase steps, immediately contact the audit manager and ask him or her to add appropriate planning steps to the CDAP.

2.9.2. The TeamMate CDA Library includes a Standardized CDAP template. AFAAI 65102 requires audit managers to use the standardized CDAP.

2.9.2.1. The CDAP transmittal memorandum will identify (a) audit purpose, (b) audit objectives, (c) audit team responsibilities, (d) general guidance, (e) instructions for developing and reporting audit exceptions, and (f) policies for contacting the audit manager to report audit progress and seek technical assistance.

2.9.2.2. Chapter 1 will provide planning steps for the local audits and include steps to obtain information that will later appear in the scope sections of the local audit reports. The remaining chapters will address the announced subobjectives. Each major subobjective will normally be in a separate CDAP chapter.

2.9.2.3. Field auditors will respond to CDAPs using the standard format sent to them by audit managers. Responding to CDAPs in the standardized format will help in supervisory reviews as well as audit control point summarization.

2.9.3. Auditors applying CDAPs will not start the application phase prior to the date shown on the Project Plan Report without audit manager approval. Further, auditors will follow the guidance in AFAAI 65-103, Chapter 4, if it becomes necessary to exceed the milestones and resources authorized in the Project Plan Report.

Chapter 3

AUDIT APPLICATION AND SUMMARIZATION

3.1. Overview. This chapter identifies application-phase responsibilities and provides guidance auditors will use to gather data and prepare detail working papers, summarize the audit results, document the work accomplished to assess controls and verify data reliability, and validate the audit results with management.

3.2. Application Responsibilities.

3.2.1. The office chief will:

3.2.1.1. During working paper reviews (paragraph **1.3.1.8**), verify the audit application phase was conducted in accordance with government auditing standards and AFAA policies and procedures.

3.2.1.2. Monitor audit progress and performance, and provide guidance and assistance as necessary.

3.2.1.3. Evaluate, then approve or disapprove, requests for deviations from established audit project milestones, resources, and objectives.

3.2.2. The team chief will:

3.2.2.1. Supervise and guide the auditor through the audit application phase.

3.2.2.2. Discuss application results with the auditor on a frequent, recurring basis and document discussions with TeamMate coaching notes.

3.2.2.3. Review exceptions and procedures periodically during the application phase, and document the review with TeamMate coaching notes. Complete the team chief reviews before providing the draft audit report to the office chief for review and approval.

3.2.2.3.1. During working paper reviews, team chiefs will spot-check table and spreadsheet footings and extensions for accuracy.

3.2.2.3.2. For any comments, questions, and directions documented with TeamMate coaching notes, the team chief should follow up and initial that the auditor's reply comments are responsive.

3.2.2.4. Provide the office chief periodic project status reports, briefings, or other locally developed reports advising of audit progress and results. The office chief will determine the reporting frequency.

3.2.2.5. Evaluate and elevate to the office chief requests for deviations from established audit project milestones, resources, and objectives.

3.2.2.6. Evaluate identified problems (e.g., information access, disagreements with audit managers on CDA issues) and either resolve or elevate the problem to the office chief. **Note:** For information access problems, see AFAAI 65-103, Chapter 18.

3.2.2.7. Evaluate and decide interim audit reporting needs (e.g., quick reaction or preliminary report).

3.2.2.8. For CDA submissions, certify the CDAP Response Sheet data in accordance with AFAAI 65-103, Chapter 4.

3.2.3. The auditor will:

3.2.3.1. Conduct the audit in accordance with government auditing standards and AFAA policies and procedures (AFAAI 65-103, Chapter 8).

3.2.3.2. Apply each step in the audit program and collect sufficient, appropriate evidence, in accordance with AFAAI 65-103, Chapter 9, to answer all audit objectives and support the audit conclusions.

3.2.3.3. Keep the team chief informed on how the audit is progressing, and notify the team chief of any results requiring possible action. It may be necessary, for example, to reduce or terminate work on one objective, expand work on another objective, or issue an interim report.

3.2.3.4. Prepare working papers to document the work performed in accordance with paragraphs 3.3 through 3.5. Also, reference AFAAI 65-103, Chapter 6 and Attachments 6 and 7.

3.2.3.5. Respond to the team chief's TeamMate coaching notes, answering questions and providing brief explanations of actions taken.

3.3. Working Paper Requirements. Auditors will use the latest TeamMate library to establish current files for each audit project. In addition, they will install the AFAA Toolkit. The use of electronic working papers greatly reduces the requirement to print and manually store audit working papers and significantly enhances the summarization and review processes. Manually prepared working papers will only be used on an exception basis, such as when accomplishing a classified audit without secure computer support. In addition to the following paragraphs, AFAAI 65-103, Chapter 6 and Attachments 6 and 7, provide important criteria for preparing working papers.

3.3.1. TeamMate Snapshot. The TeamMate Snapshot provides an overview of the status of all audit steps (procedures) and supporting documents and exhibits.

3.3.2. General Requirements. Organize working papers to facilitate supervisory review and ensure subsequent reviewers can easily follow the auditor's logic and find support for the audit results. The auditor must provide the team chief and independent referencer with a road map through the working papers that clearly shows all steps taken in the audit process.

3.3.2.1. All audit support must be attached to a procedure step that contains purpose, source, details, and conclusion (PSDC). It is no longer necessary to include PSDC information on each supporting working paper, as long as said documents are linked to procedures. Reference AFAAI 65-103, Chapter 6, for detailed information on PSDC working paper requirements.

3.3.2.2. Hyperlink files following the guidance in AFAAI 65-103, Chapter 6. Generally speaking, hyperlinking requirements for TeamMate are the same as cross-referencing requirements for AFAA electronic working papers and manually prepared working papers. However, TeamMate accomplishes much of the linking automatically, so there is less for the auditor to do. **Note:** Do not hyperlink to web-based documents when it is possible to download the documents to your computer and hyperlink to the downloaded

documents. Web addresses and documents on the web constantly change. Further, always hyperlink to files that are part of the current project file structure. Hyperlinks to documents outside the current project file structure will not work after the project files are saved on a CD-ROM diskette or other external storage device.

3.3.3. Supervisory Review. Team chiefs will review all working papers in accordance with supervisory review requirements contained in AFAAI 65-103, Chapter 6; use TeamMate coaching notes to specify the working papers reviewed; indicate the dates they reviewed the specified working papers; and record review questions, taskings, and overall comments (both favorable and unfavorable). Also, the team chief must electronically sign each auditor-prepared electronic working paper file. At a minimum, the team chief will perform and document project oversight every 2 to 3 weeks for experienced auditors and more frequently for less experienced auditors.

3.3.3.1. Auditors will respond to all TeamMate coaching notes.

3.3.3.2. For TeamMate coaching notes that require a response, the team chief should follow up and indicate whether the auditor's reply comments are responsive (i.e., they adequately address the issues the team chief raised) and then clear the coaching note.

3.3.4. File Maintenance. TeamMate projects will automatically backup daily. Audit teams may also elect to perform additional backups manually. To prevent accidental data loss, auditors will backup electronic files on a CD, DVD, server, or other storage device in accordance with directorate policy. Backup and primary locations should be different storage mediums (i.e., primary and backup files should not be stored on the same device). After the audit is completed and the final report is issued, the auditor will store (archive) the working papers in accordance with instructions in AFAAI 65-103, Chapter 5. **Note:** AFAAI 65-103, Chapter 5, also provides guidance for marking and safeguarding (a) classified, For Official Use Only, personally identifiable information (to include Privacy Act data), and fraud-related working papers; and (b) labeling, password protecting, and retaining working papers.

3.3.5. Changing Archived Files. Changes to archived working paper files are not permitted for any reason. If the need arises to add or modify archived working paper files, the audit team will create a separate project folder named "Post-Audit Adjustments" in accordance with the instructions provided in the AFAA TeamMate User's Guide

3.3.6. Manual Working Papers. Manual working papers should rarely be used. However, if manual working papers are deemed necessary, record complete identification data on the first page of each working paper (Activity, Project Number, Installation, Auditor, Date, Reviewer, Working Paper Title, Page Number, and Index). When you have more than one page of a working paper with the same index and working paper title, you may omit entries in the "Activity," "Working Paper Title," and "Installation" blocks from all subsequent pages of the working paper. Manual working papers must be referenced in the electronic TeamMate files (via a "manual working paper" procedure) to indicate the additional supporting documentation exists.

3.4. Procedure Responses. Procedures contain responses to all audit program steps and any other data the auditor needs to build a firm, evidential structure on which to base audit results,

their causes and effects, and related recommendations. Reference AFAAI 65-103, Chapter 6, for procedure and exception requirements.

3.5. Validating Audit Results. The auditor will discuss (validate) audit results with management while conducting the audit--and not wait to the end of the audit. Early validation will assist the auditor in obtaining management's concurrence with the audit conclusions and will provide operating personnel the opportunity to correct the identified problems before the audit is completed. The auditor will:

3.5.1. Meet face-to-face with unit working personnel throughout the audit and prior to issuing a draft report for management comments to validate the accuracy of audit data and conclusions. If unit personnel believe the audit conclusions are inaccurate or the auditor has misinterpreted specific data, the auditor should conduct additional audit tests, as necessary, to re-verify the data's accuracy and reassess the accuracy of the conclusions.

3.5.2. Discuss proposed recommendations with management during validation discussions. If the auditor and management officials agree on a course of action that will correct the identified problems, then management can begin work during the audit to implement the agreed-to actions. If management completes action and corrects the problem during the audit, the auditor should note this achievement in the audit report.

3.5.3. Conduct additional audit tests, as necessary, or examine documentary evidence to determine the validity of management officials' statements that may affect the context, perspective, or accuracy of audit results.

3.5.4. Document validation discussions in the working papers using a discussion memo or similar form.

3.6. Headquarters Issues Identified at Installation Level. If an installation-level condition requires MAJCOM or HQ USAF management attention, the following procedures apply:

3.6.1. MAJCOM Issue. The office chief will contact the appropriate AFAA MAJCOM representative and advise of the issue involved. If the office chief and representative agree the issue is significant, the office chief will forward all related working papers and draft audit results to the representative.

3.6.1.1. The AFAA representative will decide the best approach for evaluating and processing the issue to the MAJCOM functional office of primary responsibility and keep the office chief informed of actions taken. If the issue cannot be resolved at MAJCOM level, the representative will forward all data to the appropriate CDA directorate for review and further action.

3.6.1.2. The related installation-level report will normally contain the audit results and identify the elevated issue.

3.6.2. HQ USAF Issue. The office chief will forward all data to the appropriate associate director for review and determination of action (e.g., forward to HQ USAF or include in a CDA). The associate director will initiate action based on the significance and urgency of the issue. The associate director will provide copies of all correspondence relating to the resolution to the appropriate region and involved AAO.

3.6.3. Auditors Applying CDAPs. Forward all issues identified to the audit manager. The audit manager will forward issues requiring MAJCOM or HQ USAF action that are beyond the scope of the CDA to the appropriate associate director for action.

3.7. Referencing CDAP Response Sheet Data. The team chief will assign a qualified auditor (paragraph 4.8.2.2) not associated with the audit to independently reference all CDAP Response Sheet data and supporting schedules.

3.7.1. When independent referencing is completed, the team chief will e-mail the audit manager a document certifying an independent referencer verified the CDAP Response Sheet data. The auditor will retain an electronic copy of the e-mail in the working paper files. The team chief may use a certification memo, the Independent Referencer Certification Package, or a verification email. Applicable TeamMate templates and reports are provided for convenience.

3.7.2. The independent referencer will complete work before the audit team submits the CDAP Response Sheet data to the audit manager. The independent referencer should reference all procedure steps. If the auditor provides data to the audit manager periodically during the audit (e.g., at the end of each chapter), it is not necessary to independently reference the CDAP Response Sheet data until the audit is completed. In this case, the audit team will complete referencing and certify the results before submitting the final CDAP Response Sheets to the audit manager. Further, when exporting the AFAA CDAP Response Sheet in TeamMate, it is the equivalent of the “clean copy” for the audit manager and it should not be linked and referenced again.

3.7.3. The independent referencer will perform and document the work following the referencing procedures described in paragraph 4.8.2.5

Chapter 4

DRAFT REPORT

4.1. Overview. Issue a report (either clear or with exceptions) on all audits, including audits terminated at the end of the planning phase or curtailed prior to completing application, where the auditor gathered sufficient, appropriate evidence to support an opinion. Auditors will use the guidance in this chapter to prepare, process, issue, and assure the quality of installation-level audit reports.

4.2. Report Responsibilities.

4.2.1. The office chief will:

4.2.1.1. Review each draft report and confirm the report is logically sound and the opinions, conclusions, and recommendations are reasonable, material, and consistent with the factual information presented. The office chief has the ultimate responsibility in ensuring the quality of the issued report.

4.2.1.2. Approve each draft report for discussion and subsequent release. The office chief will not approve draft reports with PMB until region and HQ AFAA/DOO coordination is completed. Also, the office chief will not approve draft CDA-related reports until audit manager coordination is completed.

4.2.1.3. Review a sample of reports periodically to verify compliance with AFAA quality assurance procedures (e.g., cross referencing and independent referencing). Provide feedback on the reviews to the team chiefs and auditors.

4.2.2. The team chief will:

4.2.2.1. Monitor auditor progress in completing draft reports and assure reports are completed in a timely manner. Keep the office chief informed on progress in completing the draft report.

4.2.2.2. Review and ensure draft reports meet government auditing standards and AFAA policies and procedures (reference AFAAI 65-103, Chapter 8). Record review comments electronically on draft reports (using the “track changes” and “comments” features of Microsoft Word) or with TeamMate coaching notes.

4.2.2.3. Elevate finished draft reports to the office chief for discussion and release approval. The team chief and auditor share responsibility for the accuracy, validity, and quality of the draft report submitted to the office chief for review.

4.2.2.4. Ensure the auditor thoroughly cross references the approved draft (the report the office chief approves for discussion and release) to exceptions and procedures, as appropriate.

4.2.2.5. Ensure a qualified auditor independently references the draft report before discussing the report with management. Attest to the satisfactory completion of all independent referencer suggestions and/or comments using TeamMate coaching notes.

4.2.2.6. Attend report out-briefings with the auditor to the maximum extent possible.

Note: The team chief must consider the skill level and experience of the auditor in

determining which briefings to attend. At a minimum, the team chief should attend all out-briefings at the group commander level and above. If it is not possible for the team chief to attend, appoint an acting team chief to attend.

4.2.2.7. Sign the draft report transmittal memorandum (standard processing—paragraph [4.9.1.3](#)).

4.2.2.8. Ensure distribution of draft reports meets the requirements of Attachment 2 (standard distribution) and Attachments 3 and 4 (special distribution).

4.2.3. The auditor will:

4.2.3.1. Prepare the draft report in accordance with government auditing standards and AFAA policies and procedures. The assigned auditor has primary responsibility for the accuracy, validity, and quality of the original draft report submitted for review and shares responsibility with the team chief for all subsequent revisions.

4.2.3.2. Thoroughly cross-reference the office chief-approved draft report to exceptions and procedures.

4.2.3.3. Provide the cross-referenced draft report and exceptions and procedures to the assigned independent referencer for verification, and answer the independent referencer's coaching notes.

4.2.3.4. Out-brief the draft report with management, and revise the report as necessary based on the results of the discussions.

4.2.3.5. Notify the team chief when making report changes that require re-referencing.

4.3. Report General Requirements.

4.3.1. Report Criteria. Issue installation-level reports, or close projects without a report, according to the following criteria:

4.3.1.1. Application Completed. Issue an audit report on all projects for which auditors completed audit application. Waivers from this requirement require region chief approval.

4.3.1.2. Projects Cancelled During Application.

4.3.1.2.1. Report. Issue an audit report on projects cancelled before completing audit application when sufficient work was performed to reach a conclusion.

4.3.1.2.2. No Report. If sufficient work was not performed to reach a conclusion, obtain office chief approval to close the project without a report. Issue a closure memorandum to cancel the project following the guidance in paragraph [2.7.7.2.2](#) and update the AFAA MIS.

4.3.1.3. Fact-Gathering Projects. Close out fact-gathering efforts (usually related to a CDA) with a memorandum addressed to the commander or chief of the functional area visited, as appropriate.

4.3.2. Report Types. The AFAA issues two types of installation-level audit reports: regular and interim. In addition, auditors may report deficient conditions of less significance to managers and the commander in an Additional Results Memorandum or orally.

4.3.2.1. Regular Reports. The most commonly issued report is the regular report. Use regular reports to convey the results of AAO-initiated projects or CDAs that do not meet interim report criteria.

4.3.2.2. Interim Reports. Issue interim reports while audits are in progress to bring urgent conditions to management's immediate attention (quick reaction) or to keep management informed of conditions found in audits extending over a long period of time (preliminary).

4.3.2.2.1. Send quick-reaction reports to management for comment with a 15calendar day suspense. Send preliminary reports to management for comments with a 30calendar day suspense. Assign a separate project number to the interim report.

4.3.2.2.2. At the conclusion of audits that included an interim report, the audit team will issue a standard report that summarizes the interim results in the body of the report (paragraph 4.4.1.2). In addition, the audit team will include the interim report verbatim as an appendix to the standard report.

4.3.2.3. Additional Results Memorandum. Use the Additional Results Memorandum to report audit results that do not warrant inclusion in a report of audit but which may develop into significant problems if not corrected. Include a statement in the overall evaluation of the related audit report similar to the following: "We noted certain conditions of less significance that we reported to the management of (name of entity) in a separate memorandum dated XXXXXXXX."

4.3.3. Report Format. The AFAA has two report formats: standard and memorandum. Use the standard format for regular reports--including clear reports. Use the memorandum format for interim reports. Projects that do not meet the criteria for a report should be closed out with a memorandum (paragraph 4.3.1.2.2). Do not deviate from the approved report formats without requesting HQ AFAA/DOO approval through the chain of command.

4.3.3.1. Standard Report. The standard report format is described in paragraphs 4.4 through 4.6, and the TeamMate library contains Standard Report and Standard Clear Report templates. Standard report segments include the executive summary, audit results tabs, and appendices.

4.3.3.1.1. Attach a cover page to each report and insert a table of contents after the executive summary using the format specified in the templates.

4.3.3.1.2. Include at least one tab in clear reports to identify the positive conditions noted in the audit. **Note:** Clear reports are reports that do not identify deficient conditions.

4.3.3.1.3. Begin tabs that identify both deficient and positive conditions with the positive conditions first followed by the deficient conditions.

4.3.3.2. Memorandum Report. The Memorandum Report format is described below and included in a TeamMate template.

4.3.3.2.1. Introduction. Include an introductory paragraph that explains the need for an interim report, why the audit was accomplished, and the significance of the audited area.

4.3.3.2.2. Audit Objectives. Briefly address the audit's overall objective and subobjectives. The objectives identified in this paragraph should be similar to, or the same as, the objectives shown in the audit announcement memorandum.

4.3.3.2.3. Synopsis (Optional). The audit team is encouraged to include a synopsis if the memorandum report addresses more than one exception or contains one exception that is long and complex. If included, the synopsis will briefly summarize the report's exceptions in the same order as they are discussed in the report.

4.3.3.2.4. Background (Optional). Include information in the background paragraph that potential readers need to understand the audit results. Provide other background information, as appropriate, and the criteria used to conduct the audit in the audit methodology and disclosure attachment (paragraph 4.5.2).

4.3.3.2.5. Audit Results. Number and title each audit result, and include the following captioned paragraphs: condition, cause, effect, recommendations, management comments, and evaluation of management comments. In addition, include captioned paragraphs for management corrective actions and other audit comments if applicable. Follow the guidance for standard reports (paragraph 4.5.3).

4.3.3.2.6. Discussion with Responsible Officials. In the interim report, include a paragraph stating with whom (by position title and organization) the audit team discussed or coordinated the report. In the final report, indicate the date you received management's written comments (AFAAI 65-103, Chapter 15).

4.3.3.2.7. Points of Contact Final Report Distribution. Identify the members of the audit team, offices that received the final report, and the AFAA MIS project number under which the audit was conducted.

4.3.3.2.8. Audit Methodology and Prior Audit Coverage Attachment. Include the following mandatory paragraphs: (a) criteria, (b) audit scope, (c) prior audit coverage, and (d) Freedom of Information Act in accordance with AFAAI 65-103, Chapter 14.

4.3.3.2.8.1. Criteria. Identify guidance used to perform the audit.

4.3.3.2.8.2. Audit Scope. Include the following paragraphs: audit coverage, sampling methodology, data reliability, and auditing standards.

4.3.3.2.8.3. Prior Audit Coverage. Identify prior reports in the prior audit coverage section that required follow-up work. If there were no audits with similar objectives, so state.

4.3.3.2.8.4. Freedom of Information Act. Advise all report recipients as to the disclosure/denial authority by including the Freedom of Information Act statement.

4.4. Report Format-Executive Summary. The executive summary provides the reader a brief overview of the audit and consists of five sections: introduction, objectives, conclusions, recommendations, and management's response.

4.4.1. Introduction. The introduction section should be brief and provide only (a) information needed to understand the audit conclusions and (b) perspective on the

magnitude of the audit entity. Provide additional background information in the tabs or Appendix I, as appropriate.

4.4.1.1. For follow-up reports, identify the prior report number and date.

4.4.1.2. If an interim report was issued, briefly synopsise the audit results reported in the interim report (exceptions, recommendations, and management actions).

4.4.2. Objectives. In the objectives section, explain why the audit was performed and state the audit's overall objective and major subobjectives. The objectives identified in this section should be similar to, or the same as, the objectives shown in the audit announcement memorandum. State the overall audit objective followed by the audit subobjectives. **Note:** For financial audits, include a stated objective to evaluate the internal control structure applicable to the audit subject area and identify the significant internal controls assessed, including controls established to ensure compliance with laws and regulations that have a material effect on the financial statements.

4.4.2.1. If the audit was a request audit, the objectives paragraph should note this fact.

4.4.2.2. The objectives paragraph should also indicate whether the report was locally initiated or centrally directed.

4.4.3. Conclusions. The conclusions section should address the overall objective of the audit and the subobjectives in the order they are listed in the objectives section. Provide positive as well as negative audit results, and list the positive results first. **Note:** For reports that have a mix of clear and deficient conditions, it is sufficient to identify the clear conditions in the executive summary without further discussion in the tabs. For reports that do not have deficient conditions, include a tab in the report to address the clear conditions.

4.4.3.1. The first sentence in the conclusion section main paragraph must contain a statement assessing the overall audit objective as stated in the objective paragraph.

4.4.3.2. Succeeding subparagraphs will provide the audit results for each audit area (subobjective). For each audit result, include a results paragraph that briefly summarizes the condition and effect. At the end of each results paragraph, indicate where the discussion is located in the report (e.g., Tab A, page 1 or Tab B, page 7).

4.4.3.3. Identify repeat deficiencies as "repeat exceptions" along with the related report references. Reference paragraph [4.11.1.1](#)

4.4.3.4. If issuing an Additional Results Memorandum, refer to it in the overall evaluation paragraph as follows: "We noted certain exceptions of less significance that we reported to management of the (name of entity) in a separate memorandum dated DD Month 20XX."

4.4.3.5. For clear reports, provide sufficient information to demonstrate that the area had no deficiencies.

4.4.4. Management Corrective Actions. This paragraph is optional. If desired, the audit team can use this paragraph to give management credit for the actions they already took to correct deficiencies the auditor identified during the audit. Keep the paragraph brief and conclude with the following statement: "(Reference the individual Tabs for specific corrective actions.)"

4.4.5. Recommendations. Indicate the number and general nature of the recommendations. At the end of the recommendations section, include the following advisory statement: “(Reference the individual tabs for specific recommendations.)”

4.4.6. Management’s Response. In the draft report, insert “MANAGEMENT’S RESPONSE” after the recommendations paragraph and leave blank until receipt of management comments. In the final report, indicate whether management agreed with the audit results, recommendations, and PMB included in the report. Also, indicate whether or not the management comments were responsive to the issues in the report. For clear reports (reports with no exceptions and/or recommendations), state that management agreed with the audit results (refer to AFAAI 65-103, Chapter 15).

4.5. Report Format-Tabs. All standard reports, including clear reports, will be tab reports. Include each major audit result or group of related audit results in one tab. Normally group tabs by subobjective and arrange tabs to put conditions in the order of their relative importance. Keep tab titles as short as possible. Identify the subject for discussion rather than synopsise the results. For instance, use “Cash Controls” not “Lack of Control Over Cash”. **Note:** Use captions on main segments, paragraphs, and subparagraphs as needed to draw the reader’s attention to specific information. When used, boldface main paragraph captions and underline subparagraph captions.

4.5.1. Synopsis (Optional). The audit team is highly encouraged to include a synopsis in tabs that address more than one exception or contain one exception that is long and complex. If included, the synopsis will briefly summarize the tab’s exceptions (condition, cause, and effect) in the same order as they are discussed in the report. In multi-tab reports, if one tab contains a synopsis, it is not necessary for the remaining tabs to have a synopsis.

4.5.2. Background (Optional). Limit the background paragraph, if used, to information needed to understand the audit results presented in the tab and criteria used to conduct the audit. Do not provide extraneous information that does not facilitate an understanding of the results section issues. Include such information in Appendix I. In multi-tab reports, if one tab contains a background paragraph, it is not necessary for the remaining tabs to have a background paragraph.

4.5.3. Audit Results. Each audit result (i.e., exception) will be numbered and titled (if possible, limit the title to one line in length) and have the following captioned paragraphs: condition, cause, effect, management corrective actions (if applicable), audit comment (if applicable), recommendations, management comments, and evaluation of management comments. When determined appropriate, the order of the cause and effect paragraphs may be reversed. In addition, the audit results may also include captioned paragraphs for corrective actions management took during the audit and other audit comments. **Note:** For each negative audit results on the Summary of Audit Results (SAR) statement and AFAA MIS product module, there must be a local recommendation and/or corrective action completed during the audit.

4.5.3.1. Condition. Include all necessary facts using specific examples or cases to demonstrate the condition, promote an adequate understanding of the matters reported, and provide convincing but fair presentations in proper perspective. Use tables or supporting schedules to provide detailed statistical data and provide the reader a greater understanding of and appreciation for the magnitude of the problem. **Note:** Do not use

personal information, such as names or social security numbers, or other extraneous information in audit reports.

4.5.3.1.1. The first (topic) sentence should focus the reader on the condition noted as well as the relative significance of the condition. Describe the condition found using past tense and active voice.

4.5.3.1.2. Clearly explain the nature, extent, and frequency of the deficiencies. Include all necessary facts using specific examples or cases to demonstrate the deficiency. Use supporting schedules to provide detailed statistical data or show the problem's magnitude. Identify locations where auditors found the condition. State to what extent (quantity, percentage, etc.) management deviated from the established standard.

4.5.3.1.3. State exceptions clearly and concisely using nontechnical terms to the extent possible. Avoid the use of vague or imprecise terminology (e.g., some, not many, not always). Round numbers to enhance clarity of presentation. Also, avoid the use of lengthy paragraphs. Use subparagraphs and captions, when appropriate, to assist reader understanding.

4.5.3.2. Cause. Identify the root cause first followed by the contributing causes. Provide the related criteria (if not already provided in the background). Do not include a negative cause for which there is no recommendation or completed management corrective action. For a clear results paragraph, there should only be a positive cause statement (if one is used).

4.5.3.2.1. The root cause is normally weak or absent controls or reasons for noncompliance with existing controls. It is the situation or procedure which, when changed or corrected, will solve the problem or condition. If the activity needs to improve controls, so state. If personnel did not follow directives, explain why not.

4.5.3.2.2. Causes will not be subjective (i.e., the auditor should not normally indicate lack of awareness, misinterpretation of guidance, operating personnel beliefs, etc. caused the problem). It should be clear the discrepant conditions noted in the audit could have occurred as a result of the cited causes.

4.5.3.3. Effect. Express effect in terms of dollars or number of deficiencies in a population. If using statistical sampling, state the effect in terms of projected errors. State the effect in positive terms when possible, (e.g., "eliminating the problem will provide benefits") instead of negative terms (e.g., "failure to correct will create further problems").

4.5.3.3.1. In performance audits, reductions in efficiency and economy or shortfalls in obtaining program objectives are appropriate measures of effect. Express these in quantitative terms such as dollars, number of personnel, units of production, quantities of material, number of transactions, or elapsed time.

4.5.3.3.2. Provide specific examples when possible. If you cannot ascertain the actual effect, you can sometimes use potential or inferred effect to show the significance of the condition.

- 4.5.3.3.3. If PMB is identified, include the dollar amount in the audit results paragraph, and state how the PMB was determined. Make sure the PMB and amount agreed to by management is consistently presented throughout the report and agrees with the amount in the SAR (paragraph 4.7.). When using statistical sampling, state the effect in terms of projected errors (e.g., “we estimate management processed between 800 and 1,000 of the 2,000 transactions late”). **Note:** Coordinate all PMB with your region and HQ AFAA/DOO before discussing the report with management in accordance with AFAAI 65-103, Chapter 17.
- 4.5.3.3.3.1. You may use a one-sided lower limit or both the lower and upper limit, but never the upper limit alone to establish effect, unless you do not require corrective action. When in doubt, contact AFAA statisticians for assistance.
- 4.5.3.3.3.2. When using non-statistical sampling, just show test results without stating or implying an estimate or projection (e.g., “we identified 50 of 100 work orders with labor charges exceeding established limits”).
- 4.5.3.4. Management Corrective Actions. When appropriate, include in the report significant discrepancies disclosed and corrected during the audit along with an explanation of the corrective action taken. Use the caption “Management Corrective Action” for these paragraphs, and be sure to verify that management did, in fact, correct the discrepancy. The auditor must document the verification work accomplished in the working paper files. In addition to the report, the auditor will report management corrective actions completed during the audit in the SAR (Part I, paragraph K, “Number of Corrective Actions Completed During Audit”). A completed corrective action is defined as a completed action (not promised or initiated) that corrects the cited condition and eliminates the need for a recommendation.
- 4.5.3.4.1. The following is an example of typical actions that should be reported as corrective actions completed during the audit: “During the audit, management cancelled the unneeded due outs, trained personnel to properly perform due-out validations, and added validation criteria to their self-inspection checklist.” In this example, management completed three actions which corrected the cited condition and addressed the cause cited in the audit results.
- 4.5.3.4.2. The following example is an action that should not be reported as a corrective action completed during the audit: “During the audit, management initiated action to obtain funding to use in correcting the vulnerabilities cited above.” In this example, the action taken did not ensure the funding would be obtained nor the vulnerabilities corrected.
- 4.5.3.5. Audit Comments. Include other comments as needed under the caption “Audit Comments.” For example, if you discover procedural discrepancies during the conduct of a CDA, include a statement that you referred the discrepancies to the audit control point for possible inclusion in the Air Force audit report.
- 4.5.3.6. Recommendations. Should immediately follow the specific audit result to which they relate, in the following order: (a) recommendations to correct the condition, if applicable; (b) recommendations addressing the root cause and other contributing causes;

and (c) recommendations to achieve claimed PMB. Do not include a recommendation that does not address either a cause or condition statement.

4.5.3.6.1. Recommendation Requirements. Number recommendations consecutively within each tab. For example, if Tab A contains two recommendations, number them A.1. and A.2. If Tab B contains three recommendations, number them B.1., B.2., and B.3. Each recommendation should:

4.5.3.6.1.1. Require only one management action per recommendation, even though you may direct several related recommendations to the same management official. If you require more than one independent management action, restructure into separate, numbered recommendations.

4.5.3.6.1.2. Normally direct recommendations one position higher than the staff/official position (not an individual's name) responsible for taking the corrective action. Do not direct recommendations higher than the report addressee.

4.5.3.6.2. Recommendation Logic. The relationship between the recommendations and the condition or the cause of the condition must be clear and logical. Each recommendation should relate to either a cause or a condition, and conversely each cause should have a recommendation.

4.5.3.6.2.1. Recommend actions that are definite, and avoid to the extent possible such words as ensure, consider, perform a study, emphasize, and reevaluate.

4.5.3.6.2.2. Make two recommendations if the management corrective action may take an unusual length of time to complete (e.g., revising a directive). The first recommendation should provide a permanent fix for the root cause of the deficient condition. The second recommendation should address interim procedures to temporarily control the deficient condition until management implements the permanent fix.

4.5.3.6.3. Special Situations. When audit reports identify possible over-obligations or project splitting, contracting improprieties, or monies owed to the Government, recommend actions necessary to provide a permanent fix to the root cause of the exception and actions necessary to recoup any lost funds or assets.

4.5.3.6.3.1. Over-obligations. Audit reports involving the over-obligation of current year funds or project splitting (which would have resulted in violation of statute if handled as one project) require a two-part recommendation. In Part 1, recommend the unit comptroller or another independent party determine whether a violation of DoD 7000.14-R, *Department of Defense Financial Management Regulations (FMRs), Volume 14, Administrative Control of Funds and Antideficiency Act Violations*, occurred. In Part 2, recommend that, if a violation did occur, management formally investigate and report the violation in accordance with DoD 7000.14-R.

4.5.3.6.3.2. Contracting Improprieties. When audit reports identify possible contractor fraud, include recommendations such as: "The Unit/LG should determine whether the contractor should be debarred or suspended," or "The

Unit/LG, in consultation with the unit Judge Advocate General, should determine whether legal action against the contractor is appropriate.” In each case, the wording of specific recommendations will depend on the auditor’s judgment. Although auditors must recognize that the contracting officer has final responsibility in dealings with contractors, auditors must consider others, including legal authorities.

4.5.3.6.3.3. Monies Owed to the Government. When audit reports identify monies owed to the government, include a recommendation to establish an account receivable in accordance with AFI 65-403, *Follow-up on Internal Air Force Audit Reports*, and a recommendation to recoup the amount due. The auditor will normally determine the amount management should recoup.

4.5.3.7. Management Comments. Government auditing standards require reporting the views of responsible management officials. Consequently, AFAA requires management comments for each negative audit result (exception), recommendation, and PMB included in the audit report. If management comments are extremely long, you may paraphrase the comments and include them in their entirety as a report attachment.

4.5.3.7.1. Include management comments verbatim in the final report immediately following the recommendation to which the comments relate (paragraph 5.3.5). In the draft report, provide a paragraph caption and reserve space for the management comments immediately following the associated recommendation.

4.5.3.7.2. Inclusion of management comments in clear tabs is optional. A clear tab is a tab that does not identify any deficient conditions. A tab that identifies deficient conditions but does not contain recommendations (e.g., management corrected the identified problems during the audit) must include a Management Comments paragraph.

4.5.3.8. Evaluation of Management Comments. The final report will include an evaluation addressing the responsiveness of management comments at the end of each audit result after the Management Comments paragraph (paragraph 5.4).

4.5.3.8.1. In the draft report, provide a paragraph caption and reserve space for the audit evaluation statement.

4.5.3.8.2. Do not include an Evaluation of Managements Comments paragraph in clear tabs.

4.6. Report Format Appendices. Include the following appendices with each report: Background Information (optional), Glossary of Acronyms (optional), Audit Scope and Prior Audit Coverage, and Points of Contact and Final Report Distribution. **Note:** The following appendices may also be required on an individual basis: Interim Report, Management Comments (final report), Additional Management Documents (final report). Reference AFAAI 65-103, Chapter 14, for additional information on the report appendices.

4.7. Summary of Audit Results Statement. The SAR is an attachment to the report transmittal memorandum. It contains the details of the audit outcome as well as the auditor’s estimate of the PMB management will realize by effectively implementing the report’s recommendations.

4.7.1. SAR Requirement. Auditors prepare a SAR Statement, Part I, for each installation-level audit report. In addition, auditors prepare Part II if the report has an audit result (exception) with a PMB of \$50,000 or more. Ensure the amounts identified in the audit report agree with the amounts reported in Parts I and II of the SAR. Make every effort to keep classified data out of the SAR. (Note: If unable to process the SAR without classified data, the SAR must be handled IAW AFAAI 65-103, Chapter 5.) The SAR template is located within the TeamMate library and AFAAI 65-103, Chapter 17, contains guidance for preparing the SAR.

4.7.2. SAR Coordination. Forward draft reports containing PMB and the related SAR to your region and then HQ AFAA/DOO for review and coordination prior to discussing the report with management. Retain evidence of coordination (generally an e-mail) in the project working paper files.

4.7.2.1. HQ AFAA/DOO provides feedback on these evaluations and, when applicable, coordinates recommendations for revised SAR statements and revised reports with the applicable region.

4.7.2.2. Auditors will revise the SAR when the PMB changes due to HQ AFAA/DOO review.

4.8. Report Quality Assurance.

4.8.1. Cross Referencing. The auditor will hyperlink (cross reference) the office chief-approved draft report (paragraph 4.8.1.2) and SAR to the working papers. Hyperlink to the specific point in the working papers where the support is located. When preparing working papers manually, cross reference the draft report to the manual working papers.

4.8.1.1. The auditor will hyperlink the report and the SAR to exceptions in accordance with AFAAI 65-103, Chapter 6. The auditor should already have cross referenced from the exceptions to the procedures (detail). **Note:** The auditor may elect to cross reference directly to the detailed procedures. While not preferred, this procedure is allowed so long as the auditor has prepared exceptions and hyperlinked them accordingly. In some instances, the auditor will have to cross reference to a procedure because the information is only in a procedure (e.g., background and scope information).

4.8.1.2. It is only necessary for the auditor to cross reference the draft report once. Normally, the auditor will cross reference the approved draft (the draft approved by the office chief to discuss with management). The auditor must also cross reference any subsequent changes made to the draft report after it has been independently referenced.

4.8.1.3. Except as noted in paragraph 4.8.1.4, the auditor will hyperlink all reported figures, dates, direct quotations, statements of fact, and assertions contained in the executive summary, tabs, and appendices. Examples of items auditors sometimes overlook but which need hyperlinking include: positive statements in the executive summary and tabs; statements in clear reports that management agreed with the results; background information, including criteria; causes for audit results; management corrective actions; and information in the Audit Scope and Prior Audit Coverage appendix (work performed information, data reliability statement, prior audit coverage statement, etc.).

4.8.1.4. It is not necessary to hyperlink (cross-reference) repeated information more than once. For example, it is not necessary to hyperlink information contained in the executive summary that is repeated in the body of the report if the same information in the body of the report is hyperlinked to the supporting working paper. Similarly, it is not necessary to hyperlink information in a tab synopsis if the same information in the body of the tab is hyperlinked to the supporting working paper. Further, if an audit result in a report is fully supported by an exception, one hyperlink from the audit report to the corresponding exception is sufficient. However, the exception must be appropriately linked to the supporting working papers.

4.8.2. Independent Referencing. Referencing is an independent review of the draft report and working paper files by a person not associated with the audit to verify that the report is accurate and documentary evidence supports specific statements of fact.

4.8.2.1. When to Reference. Independently reference the office chief-approved draft report, or closure memo, before releasing the report for comment (standard report processing, paragraph 4.9.1) or soliciting management comments (accelerated report processing, paragraph 4.9.2). The office chief may require earlier referencing; however, that will require the implementation of strong controls to ensure subsequent changes to the report are re-referenced before the report is released or discussed with management (paragraph 4.8.2.10).

4.8.2.2. Selecting the Referencer. The independent referencer must be a qualified auditor competent to do the particular referencing assignment. This competence depends on the individual's independence, objectivity, experience, and knowledge of AFAA referencing and reporting requirements. Whenever possible at locations with more than one team, the referencer should be someone from another team. **Note:** Student Career Experience Program (SCEP) personnel do not have the experience and knowledge to accomplish independent referencing. Similarly, do not assign auditor trainees who have not attended the Professional Auditor Training School - Entry Level course to independently reference draft audit reports.

4.8.2.3. Referencer Authority. The auditor and team chief will provide all possible assistance in locating material and should be accessible for explanations (any oral explanations provided should be added to the working papers). However, working papers should normally "stand on their own." That is, referencers should not have to continually ask the auditor for assistance in finding evidence to support facts and figures in the report.

4.8.2.4. Independent Referencer Checklist. Referencers are encouraged, but not required, to use the Independent Referencer Checklist as an aid in completing the referencing assignment. If used, hyperlink the completed Independent Referencer Checklist to the Independent Referencer Review Package Report.

4.8.2.5. Referencer Responsibilities. The independent referencer will:

4.8.2.5.1. Before starting any work related to referencing the assigned project, document their independence from the project in their first TeamMate coaching note as follows: "I certify that I am independent on this project and have not worked on it prior to being assigned as independent referencer."

4.8.2.5.2. Trace all figures, dates, direct quotations, statements of fact, and auditor assertions in the hyperlinked (cross-referenced) draft report and SAR through the exception to the procedures to determine that they are consistent with and supported by the working papers. **Note:** If the referencer encounters information that the auditor did not hyperlink, except repeated information (paragraph 4.8.1.4), then the referencer will return the report and working papers to the auditor so he or she can finish hyperlinking. The referencer will not omit items from the verification process because the auditor did not completely hyperlink the report.

4.8.2.5.3. Place an independent referencer mark next to each figure and statement of fact verified in the report and next to the supporting evidence in the detail working papers.

4.8.2.5.4. Verify the mathematical accuracy of tables, charts, figures, and schedules included in the report.

4.8.2.5.5. Be alert to statements in the report which seem illogical or lack clarity. If the referencer does not understand what the auditor is trying to say, there is a good chance management will not understand either.

4.8.2.5.6. Ensure the team chief has reviewed all supporting working papers and cleared the auditor's TeamMate coaching notes. The independent referencer will not complete the Referencing Certification (paragraph 4.8.2.9) until the team chief has finished reviewing and signed off on all the working papers.

4.8.2.5.7. Create coaching notes in TeamMate (paragraph 4.8.2.9) along with the Independent Referencer Checklist (paragraph 4.8.2.4) to document all comments, questions, and opinions pertaining to the review. **Note:** If the referencer used the Independent Referencer Checklist, hyperlink the independent referencer's coaching notes to the checklist.

4.8.2.5.8. Once the independent referencing is complete and the auditor has resolved all issues or discrepancies, the independent referencer will attest to the satisfactory completion of all suggestions and/or comments noted during the review in accordance with the Independent Referencer Certification Package template. This should be the independent referencer's last coaching note.

4.8.2.5.9. Charge all time referencing the subject project to the project within AFAA MIS.

4.8.2.6. Auditor Responsibilities. The auditor will:

4.8.2.6.1. Prepare and maintain working papers in accordance with paragraphs 3.3 through 3.5 and AFAAI 65-103, Chapter 6.

4.8.2.6.2. Cross-reference the office chief-approved draft report (paragraph 4.8.1).

4.8.2.6.3. Respond to each referencing note, indicating agreement or disagreement, and specify the actions that have been or will be taken to correct the discrepancy. For example, the auditor may add additional support (to the working papers or cross-referencing) or change the draft report.

4.8.2.6.4. Elevate points on which there is disagreement to the team chief for review.

- 4.8.2.6.5. Notify the team chief when making significant changes to the report or the SAR after completing independent referencing, and cross-reference changes to the working papers.
- 4.8.2.6.6. Retain the independently referenced draft report, Independent Referencer Review Package Report, and Independent Referencer Checklist (if used) in the Independent Reference folder.
- 4.8.2.7. Team Chief Responsibilities. The team chief will:
- 4.8.2.7.1. Review all project working papers and the draft report for technical accuracy and consistency prior to initiating the referencing process.
- 4.8.2.7.2. Select the referencer for each project and assure the referencer understands his or her responsibilities as discussed in this chapter. If the person assigned is a first-time referencer, review with that person the requirements of this instruction.
- 4.8.2.7.3. Review the independent referencer's comments, verify changes in the report resulting from the referencing review, and resolve any disagreements between the auditor and independent referencer. The team chief will document the rationale underlying resolved disagreements within the independent referencer's TeamMate coaching notes and elevate unresolved issues to the office chief for resolution.
- 4.8.2.7.4. Respond to the final independent referencer coaching note (which should be attesting to the satisfactory completion of all suggestions and/or comments noted during the review) in accordance with the Independent Referencer Certification Package template.
- 4.8.2.7.5. Assure all subsequent significant changes to the report and the SAR are independently referenced in accordance with paragraph **4.8.2.10**
- 4.8.2.8. Office Chief Responsibilities. The office chief will, during working paper reviews (paragraph **1.3.1.8**), confirm that independent referencing requirements were accomplished in accordance with Agency policy.
- 4.8.2.9. Independent Referencer Review Package. The independent referencer will document all comments, questions, and discrepancies using TeamMate coaching notes, which will subsequently be included in the TeamMate-generated Independent Referencer Review Package Report. The auditor will clearly accept, modify, or reject each coaching note. The auditor will also identify any resulting changes made to the draft report. For any rejected points, the auditor will include a brief explanation and elevate to the team chief for a decision. The team chief will resolve all disagreements and document the rationale for his or her decisions within the independent referencer's TeamMate coaching notes.
- 4.8.2.10. Re-referencing. If the audit team makes significant changes to the report or the SAR after completing independent referencing, the team chief must select an independent person to re-reference the changed or added material. Significant changes include changes in scope (e.g., audit universe or sample size), changes in condition (e.g., differences in number, location, or amounts of deficiencies), new or changed examples, and any statements added to report management corrective actions. The team chief will determine when to re-reference and what changes in the report need re-referencing.

4.8.3. CDA-Related Reports. After independent referencing is completed, the team chief will e-mail the audit manager a document certifying an independent referencer verified the adequacy and accuracy of data in the referenced draft report. The auditor will retain an electronic copy of the e-mail in the working paper files. The team chief may use a certification memo, the Independent Referencer Certification Package, or a verification email. Applicable TeamMate templates and reports are provided on the AFAA Home CoP for convenience.

4.8.4. Report Review Checklist. As an additional quality control, team chiefs are encouraged (though not required) to use the Report Review Checklist located on the AFAA Home CoP.

4.9. Draft Report Processing. After office chief approval, two methods exist to process the draft report: standard processing and accelerated processing. **Note:** For classified reports, reference paragraph [4.12](#)

4.9.1. Standard Report Processing.

4.9.1.1. Discussions. After the office chief approves the draft report for discussion and it is independently referenced, the audit team will discuss (out-brief) the report with operating personnel, supervisors in the chain of command, and the responsible commander or designated representative. Except for changes resulting from the discussions, the audit team should not further change the audit report without advising officials in charge of the audited activity and the commander. **Note:** If a CDA, the audit manager must also approve the draft report before out-briefing management.

4.9.1.1.1. The audit team, in coordination with management, will determine the appropriate officials with whom to discuss the report. Discussions should, at a minimum, reach the group commander or equivalent level.

4.9.1.1.2. Before distributing reports electronically, ensure the reports are clean copies free of track change markings and report-processing comments.

4.9.1.2. Discussion Records. Document the out-briefing discussions using the AFAA Discussion Memo, or similar document. Retain the discussion records in the working paper files. Document the following:

4.9.1.2.1. Discussion dates and names and positions of attending personnel.

4.9.1.2.2. Discussion details.

4.9.1.2.3. For CDAs, summarize what was discussed with management officials regarding data provided to the audit manager.

4.9.1.3. Draft Report Transmittal Memorandum. After discussing the report with management, (a) the auditor makes any agreed-to changes, (b) the office chief approves the changes, and (c) the team chief signs the transmittal memorandum and distributes the completed audit report to management for comment. A Draft Report Transmittal Memorandum template for standard processing is included in the TeamMate library. **Note:** The title on the transmittal memorandum will agree with the audit announcement memorandum.

- 4.9.1.3.1. Allow management officials 30 calendar days to provide their comments. **Note:** The 30 days is a guide; AAOs should work closely with management to obtain comments sooner if possible.
- 4.9.1.3.2. Do not assign a report number to the draft report. Rather, assign the number to the final report just before publication.
- 4.9.1.3.3. In addition to the report, attach the following to the transmittal memorandum: (a) a copy of AFI 65-301, *Audit Reporting Procedures*, paragraph 1.5.1. and Attachment 2; and (b) SAR Statement, Parts I and II (if applicable).
- 4.9.1.4. Draft Report Distribution. Transmit the draft report to the unit audit focal point. The audit focal point will task out the report for management comments to officials in charge of the audited activity (and to all other applicable levels of supervision).
- 4.9.1.4.1. Before transmitting the report electronically, ensure it is free of track change markings and report-processing comments.
- 4.9.1.4.2. Refer to Attachments 2 thru 4 for standard and special distribution requirements. Some organizations (e.g., AFRC) have specific special distribution requirements in addition to normal distribution requirements.
- 4.9.2. Accelerated Report Processing. Audit offices may use accelerated report-processing procedures to reduce the waiting period for obtaining management comments. The actual procedures used to accelerate report processing vary from office to office. The following provides general guidelines.
- 4.9.2.1. Report Discussions. After the office chief approves the draft report for discussion and the independent referencer completes work, the audit team out-briefs the report with management. Discussions start with unit operating personnel and work up to more senior management levels (e.g., squadron and group commanders). The auditor obtains oral comments to exceptions, recommendations, and PMB during the report out-brief discussions. Based on the oral agreements, the auditor updates the draft report and inserts proposed management comments on the exceptions, recommendations, and PMB.
- 4.9.2.2. Discussion Record. During the discussions, obtain signatures from the participants and the applicable supervisors stating that they agree with the management comments included in the out-briefed draft report. At the squadron commander level and above, some offices use an AF Form 1768, *Staff Summary Sheet*, to document commander coordination. Include the out-briefed draft and the management coordination documents (including staff summary sheet, if applicable) in the working paper file.
- 4.9.2.3. Report Changes. The audit team may revise the draft report as a result of the discussions, to add or change information or to show additional corrective action taken during audit fieldwork. In these instances, the audit team must obtain evidence verifying the new or changed information or the corrective actions taken and document the results in the working paper files. The new or revised information will require independent referencing. If the audit team makes significant report changes after out-briefing lower level operating personnel, the audit team will (a) obtain office chief approval for the changes and (b) notify the lower level operating personnel of the changes.

4.9.2.4. Commander Approval. Out-brief the commander (wing, center, or tenant unit) or the commander's designated representative using the draft with management comments inserted. Obtain commander approval of the management comments at the out-briefing (on the staff summary sheet, if applicable, or other written record).

4.9.2.4.1. If commander approval is not obtained at the out-briefing, prepare a memorandum transmitting the audit report to the unit audit focal point. The audit focal point will obtain commander approval of the management comments. An Accelerated Reporting Memorandum template for this purpose is included in the TeamMate library. Attach the staff summary sheet, if applicable, or other written record showing the prior coordination.

4.9.2.4.2. Allow 5 days for management to coordinate and approve the proposed comments. **Note:** The 5 days is a guide. AAOs should work closely with management to obtain comments sooner if possible.

4.9.3. Issuing Reports to Non-Air Force Activities. AFAA audit reports will not contain exceptions and recommendations directed to non-Air Force activities without the approval of the ODIG-AUD. If an AFAA office conducting a locally initiated audit proposes to issue a report with recommendations to a non-Air Force activity, the team chief must contact HQ AFAA/DOO through the chain of command. HQ AFAA/DOO will coordinate with the ODIG-AUD to take the necessary and appropriate steps (paragraph 1.9).

4.10. Local Reporting of CDA Results. Prepare an installation-level audit report at the conclusion of all CDA application efforts, except for fact-gathering projects. The local report must be technically accurate and must not contradict conclusions reported in the Air Force-level audit report. **Note:** Close out fact-gathering projects in accordance with paragraphs 4.3.1.3 and 4.10.4 Do not issue a report for fact-gathering projects without first obtaining HQ AFAA/DOO authorization.

4.10.1. Audit Manager Coordination. Forward a copy of the draft report to the audit manager for review and approval before discussing the report with local management officials. The audit manager will recommend technical changes to the report, or notify the auditor (in writing with a copy to the team chief) that the report is technically accurate. The auditor will retain a copy of the audit manager's coordination in the working paper file.

4.10.2. Disagreement Resolution. If the auditor disagrees with the audit manager's proposed technical changes, the team chief will contact the audit manager and attempt to resolve the disagreements. Elevate any remaining unresolved disagreements to the office chief and program manager for resolution. If the office chief and program manager cannot agree upon the technical content of the report, the responsible associate director and region chief will resolve the issue. The auditor and team chief will ensure that the related working paper file explains the rationale for subsequently including or excluding issues in the installation level report based on directions from the audit manager. Do not begin report discussions until all disagreements have been resolved.

4.10.3. Report Discussions. During report discussions related to a CDA effort, inform applicable management personnel and the commander, either orally or in writing, of the pertinent data submitted to the audit manager. Document all discussions and retain the discussion record in the working paper file.

4.10.3.1. Inform unit officials that the audit manager may include data submitted, as well as any installation-level audit results (exceptions), in an Air Force-level audit report. The auditor will provide a copy of the Air Force report (draft and final copies) to the audit focal point upon release of the report.

4.10.3.2. The judgment of the team chief will prevail as to the extent of disclosure. Keep in mind the purposes of the notification: to provide full disclosure and to ensure the commander is not surprised when the audit manager issues the Air Force audit report.

4.10.4. Audit Assist Discussions. Notify management of the data provided to the audit manager in response to a special request for data or other fact-finding work accomplished to assist the audit manager.

4.10.5. Reporting Level. In determining whether audit results should be reported in the installation-level report or the CDA report, consider the following:

4.10.5.1. Conditions Correctable Locally. Include in installation-level audit reports the exceptions correctable by local management. Forward to the audit manager for evaluation and appropriate action conditions which management cannot correct locally.

4.10.5.2. MAJCOM Issues. Address audit results requiring MAJCOM corrective action in the Air Force audit report. Issue installation-level audit reports and/or Additional Results Memorandums to the MAJCOM element only for conditions the audit manager concludes are not significant enough to address in the Air Force audit report.

4.10.5.3. Program and System Audits. In those instances where the Air Force has vested a substantial part of overall management in one focal point, include the audit results in an Air Force audit report. For example, include audit exceptions related to a system program office-managed weapon system, a commodity managed by a single air logistics center item manager, or a Standard Systems Group-managed program in an Air Force audit report. Issue installation-level audit reports to program or system offices only for conditions not significant enough to address in the Air Force audit report.

4.11. Follow-up Audit Reports.

4.11.1. Report Attributes. If the follow-up audit discloses the following conditions, take the action indicated.

4.11.1.1. Repeat Exceptions. Identify exceptions as “repeat” if the current conditions are substantially the same as that disclosed by the prior audit. Identify exceptions as “repeat” whether or not the cause of the current conditions and the recommendations to correct the current conditions are the same as those in the prior report.

4.11.1.1.1. If management either implemented the recommendation or took other corrective actions, give management credit in the follow-up audit report for taking action, and identify the reasons management’s actions did not correct the deficiency. Since the exception still exists, the original report likely did not identify the root cause.

4.11.1.1.2. If management did not act on the recommendation or took action other than indicated in their written response, provide details in the report explaining why management did not act or why management’s alternative action did not correct the problem.

4.11.1.2. New Exceptions. Auditors conduct follow-up audits to determine whether management corrected the deficiencies cited in earlier reports. Normally, auditors will not develop new exceptions in follow-up audits. However, it may occasionally happen that the auditor will identify new, reportable conditions during a follow-up audit. When that happens, the auditor should prepare one (follow-up) report and clearly differentiate between the repeat and new exceptions. Put the repeat exceptions in one tab (the first tab) and the new exceptions in a separate tab. **Note:** If the follow-up audit did not identify any repeat exceptions, the auditor should put the clear follow-up results in the executive summary and the new exceptions in a tab.

4.11.1.3. No Exceptions. If management implemented the recommendations or took other responsive actions that corrected the deficiencies, and you identified no additional exceptions related to the follow-up issues, issue management a clear follow-up audit report.

4.11.2. Follow-up Report Format. Except as noted in the following paragraphs, use the same format for a follow-up report as for a regular report.

4.11.2.1. Report Title. Begin the report title with “Follow-up Audit, . . .”

4.11.2.2. Executive Summary.

4.11.2.2.1. Introduction. The first paragraph must identify what initiated the follow-up audit and reference the prior report (cite report number, title, and date). For example, “This locally initiated follow-up audit evaluated management actions taken in response to Audit Report XXXXXXXX, (title), (date).”

4.11.2.2.2. Objectives. Identify the recommendations in the original audit report selected for follow-up. For example, “The overall objective was to determine whether management actions implemented in response to Recommendations 1, 2, and 5 in Audit Report XXXXXXXX were effective and corrected the conditions previously reported. In addition, we verified the actual amount of monetary benefits realized as a result of the previous audit.”

4.11.2.2.3. Conclusions. For the recommendations followed up on, the conclusions paragraph must summarize all deficiencies corrected by management. Also, auditors must clearly identify any repeat deficiencies as “repeat exceptions” and reference the appropriate audit results (exception) paragraphs of the prior audit report. Identify any benefits (monetary or non-monetary) lost because management did not act or took action that was not adequate to correct the problem.

4.11.2.3. Audit Scope and Prior Audit Coverage. In the Prior Audit Coverage section, include a statement similar to the following: “Other than the report which was the subject of this follow-up audit, our review of audit files and contact with base officials disclosed no other audit report issued to the ____ Wing by any audit agency within the last 5 years that related to our audit objectives.”

4.11.3. PMB in Follow-up Reports. Do not report PMB that is related to a repeat exception. Auditors can claim and report PMB only one time for each exception because follow-up officials credit the prior report and recommendation with all PMB achieved. The only time

an auditor can report a PMB on the SAR of a follow-up audit report is when the PMB is part of a new exception and recommendation not previously reported.

4.12. Classified Reports. When an audit report contains classified material (Confidential, Secret, or Top Secret), annotate the proper classification of the subject element and each paragraph of the audit report before you release the draft for discussion and management comments. Detailed guidance for processing classified reports can be found at AFAAI 65-103, Chapter 5; AFI 31-401, *Information Security Program Management*, Chapter 6; and DoDI 5200.01, *DoD Information Security Program and Protection of Sensitive Compartmented Information*, Chapter 4. The auditor should make every effort to keep the report unclassified.

Chapter 5

FINAL REPORT AND POST-AUDIT ACTIONS

5.1. Overview. AFAA final audit reports will include the views of responsible management officials as a means of verifying the report's fairness, completeness, and objectivity. Audit teams will use the guidance in this chapter to receive and evaluate management comments, insert management comments and their evaluation of management comments, and process the final report. This chapter contains additional guidance auditors will use to issue final reports when management does not provide comments, track implementation actions on recommendations selected for follow up, and process the customer survey.

5.2. Responsibilities.

5.2.1. The office chief will:

5.2.1.1. Approve the evaluation of management comments.

5.2.1.2. Dual-sign (with the team chief) and distribute the final report. **Note:** Prior to signing the final report, the office program assistant should review the report for conformance with format and administrative requirements. An Administrative Checklist is located on the AFAA Home CoP. Use of the checklist is encouraged but not required.

5.2.1.3. Establish a control system to assure significant changes between the referenced draft report and the final report are re-referenced.

5.2.1.4. Maintain a log of recommendations team chiefs select for follow up. Attachment 5, *Audit Follow-Up Log*, contains a suggested format.

5.2.1.5. Compute the average customer response for each of the audit process effectiveness survey's five questions and provide the results to the region.

5.2.1.6. Ensure final reports are distributed in accordance with Attachments 2 through 4.

5.2.2. The team chief will:

5.2.2.1. Work with management to the extent possible to ensure timely receipt of responsive management comments.

5.2.2.2. In coordination with the auditor, review and evaluate management comments to assure they adequately address exceptions, recommendations, and PMB in the report and meet the requirements of this instruction and AFI 65-301, Chapter 1.

5.2.2.3. Dual sign (with the office chief) all final reports.

5.2.2.4. Appoint an independent referencer to re-verify any significant changes between the final report and the referenced draft report.

5.2.2.5. Identify significant report recommendations to the office chief for follow-up audit planning.

5.2.2.6. In coordination with the auditor, select appropriate personnel in units audited to receive the audit process effectiveness survey.

5.2.3. The auditor will:

5.2.3.1. Contact the management action officer or audit focal point 7 days before the due date to determine if any problems exist with the draft report or with meeting the suspense date. The auditor should also attempt to obtain advance management comments from the management action officer and provide feedback regarding the responsiveness of those comments. **Note:** In some offices, the team chief may choose to accomplish this action.

5.2.3.2. In coordination with the team chief, review and evaluate management comments to assure they adequately address reported exceptions, recommendations, and PMB and meet the requirements of this instruction and AFI 65-301, Chapter 1 and Attachment 2.

5.2.3.3. Advise the team chief of any significant report changes (differences between the final report and the independently referenced draft report) that need re-referencing.

5.2.3.4. Finalize and back up the working papers in accordance with paragraph [3.3.4](#)

5.3. Management Comments–General Guidance. To assure reports are fair, complete, and objective, government auditing standards require auditors to include the views of responsible management officials in the final report.

5.3.1. AFAA Requirement. Management comments are required for each audit result (exception), recommendation, and PMB included in the audit report, except as discussed in paragraph [5.3.1.1](#). Management must provide formal written comments signed by the commander (wing, installation, center, or tenant unit commander) or the commander's designated representative unless the audit team is using accelerated report-processing procedures or the report contains no recommendations. When using accelerated report-processing procedures, the commander or the commander's designated representative must provide evidence that he or she reviewed and approved the management comments in the report (paragraph [4.9.2.4](#)).

5.3.1.1. Formal, written management comments are not required for clear reports (reports without discrepant conditions) and for reports with discrepant conditions if management corrected the discrepancies during the audit (i.e., no recommendation required) and the report contains PMB of less than \$50,000.

5.3.1.2. If an exception corrected during the audit (i.e., no recommendation required) contains a claimed PMB of \$50,000 or more, then obtain written management comments for the PMB. Do not regard silence as agreement. If management agrees with the PMB, include a statement in the final report that management agreed with the PMB. If management nonconcur with the PMB, follow the guidance in AFAAI 65-103, Chapter 17.

5.3.1.3. For clear reports and reports with no recommendations, auditors will obtain from management an oral or e-mail concurrence with the audit results, and include a statement in the final report (reference AFAAI 65-103, Chapter 15) that management officials agreed with the audit results and concurred with the issues as presented in the report. If management orally concurs with the report, document the discussion and include a copy in the working paper file. If management provides an e-mail response, include a copy of the e-mail in the working papers.

5.3.2. Time Allowance for Management Comments. AFI 65-301 allows managers 30 days to provide formal comments to installation-level audit reports (15 days for interim reports).

While these are standard times, AAOs are encouraged to work with management to obtain comments earlier. For example, auditors may obtain oral comments to recommendations using the accelerated report-processing procedures discussed in paragraph 4.9.2. However, if management nonconcur, the 30-day rule applies.

5.3.3. Late Management Comments. If management does not provide comments to the draft report within 30 calendar days, meet with unit officials to (a) determine the specific cause for the delay and (b) ask them for a specific date by which they will submit the comments.

5.3.3.1. If the cause of the delay seems justified, grant management the additional time, up to 30 calendar days. Document the rationale for granting any extensions in the working paper file.

5.3.3.2. If the cause of the delay does not seem justified, or management indicates it needs an extension exceeding 30 calendar days, coordinate with the region chief and decide whether to wait for the management comments or publish the final report without management comments. Follow the guidance in paragraph 5.6 when issuing a report without management comments.

5.3.4. Receiving Management Comments. When management comments are received, the auditor and team chief will ensure the comments meet the requirements specified in AFI 65301, Chapter 1 and Attachment 2.

5.3.4.1. Specifically, the auditor and team chief will ensure the management comments indicate concurrence or nonconcurrence with each audit result (exception), recommendation, and PMB. The comments must also describe corrective actions (both taken and planned), give actual or planned completion dates, and provide the rationale for any disagreements.

5.3.4.2. Return comments not meeting the requirements of AFI 65-301 to management for correction.

5.3.5. Inserting Management Comments in the Report. Insert management comments in the Management Comments paragraph following each recommendation (paragraph 4.5.3.7). Correct grammatical, punctuation, or spelling errors in the management comments using caution to prevent making any changes in meaning or intent.

5.3.5.1. Incorporate management comments verbatim, as corrected, and begin each management comment paragraph by stating whether management concurred or nonconcurred with the recommendation (e.g., Unit/CC concurred and stated “. . .” or Unit/CC stated: “Concur. . .”).

5.3.5.2. If management comments are excessively long, paraphrase or summarize them in the body of the report and include them verbatim as an appendix to the report. **Note:** When applicable, place the Management Comments appendix between the Audit Scope and Prior Audit Coverage appendix and the Points of Contact and Final Report Distribution appendices.

5.3.5.3. If management personnel attach copies of various documents (policy memorandums, studies, etc.) to their management comments, include the documents in the report as an appendix if the documents add to the reader’s understanding of the issues

contained in the report. Otherwise, incorporate the documents into the audit report by reference only and file the documents in the working papers.

5.3.5.4. Ensure the audit report does not contain a suspense date for management action that will occur before the anticipated date of the final report. In these cases, verify management has taken corrective action and annotate the action "Closed." If management has not taken corrective action, ask management to provide a revised estimated completion date.

5.3.5.5. If an estimated completion date does not appear reasonable, contact management and determine their rationale for arriving at the planned completion date. Unreasonable completion dates are considered nonresponsive. If planned management action will take over 12 months to accomplish, ensure management comments provide interim milestones with which to track the completion of management action.

5.3.5.6. If the audit result identifies a deficient condition but does not contain a recommendation because management corrected the problem during the audit, place the Management Comments paragraph after the Management Corrective Actions paragraph. If the audit result identifies a positive condition, a Management Comments paragraph is optional. If included, place the Management Comments paragraph after the effect statement.

5.4. Evaluating Management Comments. The auditor and team chief will assess whether the management comments adequately address the issues contained in the report, submit the evaluation for approval to the office chief, and insert the approved evaluation in the final report. Reference AFAAI 65-103, Chapter 15 for guidance on evaluating management comments. Also, if management comments are considered a nonconcurrency, follow the guidance in AFAAI 65-103, Chapter 15 and AFI 65-301, Chapter 3.

5.5. Final Report Processing.

5.5.1. Re-referencing. The team chief will appoint an independent auditor to verify any significant changes to the final report (differences between the independently referenced draft report and the final report).

5.5.2. Report Date. Date the report as of the day you will send it to the addressee.

5.5.3. Cutoff Date. Do not issue or date reports of audit in periods HQ AFAA/DOO specifies in its guidance for the Semiannual Follow-up Status Report and Inspector General Act Report.

5.5.4. Final Report Distribution. Distribute final reports in accordance with the standard and special distribution requirements specified in Attachments 2 through 4.

5.5.5. HQ AFAA/DOO Distribution. E-mail HQ AFAA/DOO a copy of each published report and related SAR in PDF format, and the associated locally developed audit program. When sending a locally developed audit program to HQ AFAA/DOO (to include schedules and changes made during the audit), remove all signatures and initials due to privacy concerns. Additionally, strip all documents of working paper status coding, dates independent referencing marks and links, and hyperlinks to include any marks or addresses (i.e.@@, file name, etc). Do not convert the audit program to PDF format. Send the e-mail to the HQ AFAA/DO library mail box (library@pentagon.af.mil), and include in the upper

right hand corner of the SAR the DoD category, hours, and cost. For classified reports, process and distribute in accordance with DoD 5200.1-R, *Information Security Program*, and AFI 31-401, *Information Security Program Management*. Also, attach a copy of the classification review performed by the management OPR.

5.5.6. SAR Distribution. Distribute the SAR with reports issued to the applicable unit, MAJCOM focal point, and AFAA activities. Exclude the SAR from final reports issued to other addressees.

5.5.7. Revised Reports. Issue a revised report if significant errors or other circumstances (e.g., new information) materially impacting on report completeness or accuracy surface after issuing the final report. Do not issue a revised report to correct grammatical, spelling, or other administrative errors or omissions that have no material effect on the meaning, intent, or accuracy of the report contents. Contact HQ AFAA/DOO to obtain guidance for revising a report.

5.5.8. SAR Revisions. If the audit team revises the SAR after releasing the final report, the team chief should forward the revised SAR to HQ AFAA/DOO. Send the revised SAR to the HQ AFAA/DO library mail box (library@pentagon.af.mil) and the base and MAJCOM audit focal points. This will normally result from issuing a revised report or a HQ AFAA/DOO post review.

5.5.9. Archiving. Within 2 weeks of the report distribution date, the audit team will archive the working papers in accordance with paragraph 3.3.4 and AFAAI 65-103, Chapter 5.

5.6. Reports Without Management Comments. If the audit team issues a final report without management comments (due to non-receipt), advise the commander of the requirement to elevate the report as a nonconcurrency within 30 calendar days (the time period prescribed in AFI 65-301). In the Executive Summary, Management's Response paragraph, include a statement such as "We did not receive management comments before report publication."

5.6.1. If management provides comments within 30 calendar days, issue a revised final report incorporating the management comments and the audit evaluation. **Note:** If the management comments are not responsive, process the report in accordance with AFAAI 65-103, Chapter 15.

5.6.1.1. Use the same title and report number as the original report. Date the revised report as of the date of re-issuance.

5.6.1.2. Place "(REVISED)" centered below the report number on the report cover page.

5.6.1.3. State in the Executive Summary introduction paragraph's first sentence, "This report rescinds Audit Report XXXXXXXX, (subject), dated (date)." The next sentence should state: "This revised report includes management comments and the audit evaluation of management comments."

5.6.1.4. In the Audit Scope and Prior Audit Coverage appendix, indicate the date management provided comments.

5.6.1.5. Attach an updated SAR, if applicable, that reflects management's position.

5.6.2. If you do not receive management comments within 30 calendar days after issuing the final report, elevate the report as a nonconcurrency to the AFAA MAJCOM representative

for resolution action with a copy to HQ AFAA/DOO. If you receive management comments after you elevate the report as a nonconcurrency, send the comments to the MAJCOM representative for coordination with command officials, and send a copy to HQ AFAA/DOO. Do not revise the final report.

5.7. Follow-up Audits.

5.7.1. Purpose. Perform follow up on audit results and recommendations contained in prior audit reports to determine whether (a) management took the recommended actions or satisfactory alternatives, (b) the actions management took were effective in eliminating the deficiencies, and (c) management realized the PMB.

5.7.2. Scheduling. At the conclusion of each audit, the team chief will determine whether the report contains significant recommendations meeting the follow-up criteria discussed below. Notify the office chief of all recommendations selected for follow up. Office chiefs will include reports with recommendations selected for follow up in local audit plans. Schedule the audits a minimum of 6 months after management completes corrective actions and resources are available.

5.7.2.1. When it is time to follow up on the selected recommendations and management has not closed the recommendations, determine the reason for the delay. If the delay does not seem reasonable and management actions are more than 6 months overdue, proceed with the follow-up audit. If the delay does seem reasonable, allow management more time to complete their actions before proceeding with the follow-up audit.

5.7.2.2. If management has not completed implementation actions on any recommendation 6 months after the agreed-to date (whether or not selected for follow up), follow up to determine reasons for the delay.

5.7.3. Criteria. Use the following criteria to select recommendations for follow up.

5.7.3.1. Mission-Related Items. Follow up on audit results that involved deficiencies having significant effect on the performance of an installation's mission (for example, ineffective flying training program or critical logistics shortfalls).

5.7.3.2. Potential Monetary Benefits. Follow up on all audit results that identified a PMB of \$500,000 or more. An objective of the follow-up audit will include verifying the amount of PMB realized.

5.7.3.3. Recoupment Actions. Follow up on all recommendations that involved management initiating action to recoup \$50,000 or more.

5.7.3.4. Controls and Fraud. Follow up on all reports that identified significant control problems or problems safeguarding resources from unauthorized use or disposition.

5.7.3.5. Potential Antideficiency Act Violations. Follow up to review the accuracy and propriety of management actions taken as a result of an audit recommendation to determine whether an Anti-deficiency Act violation has occurred (see paragraph [4.5.3.6.3.1](#)).

5.7.3.6. Other. Follow up on other audit results and recommendations that, in the judgment of the office chief, warrant follow up.

5.7.4. Follow-up Log. For audit planning purposes, office chiefs will maintain a log of recommendations selected for follow-up. Attachment 5, *Audit Follow-up Log*, contains a suggested format. Review the audit follow-up log periodically to identify “open” recommendations for which the estimated completion date has passed. Contact (or have the team chief contact) the audit focal point to determine the reasons for the slippage and obtain a revised estimated completion date. **Note:** AFI 65-403, *Followup on Internal Air Force Audit Reports*, Chapter 2, requires audit focal points to provide the AAO progress reports describing the status of actions taken on report recommendations.

5.8. Audit Process Effectiveness Survey.

5.8.1. Purpose. At the end of each audit, the AAO will send selected unit officials an audit process effectiveness survey (also known as the customer survey). The customer survey contains five questions which solicit management’s opinion on the value of the audit, professionalism of the audit staff, timeliness of the audit results, and effectiveness of communication (oral and written). The team chief, in coordination with the auditor, selects the survey recipients and provides their names to the office chief. Recipients are normally from among the recommendation addressees or members of their staff. For reports without recommendations, the unit commander or a member of the commander’s staff should normally be the recipient.

5.8.2. Survey Distribution. The AAO program assistant prepares, and the office chief signs, a standard cover memorandum that transmits the customer survey to the selected officials. The cover memorandum contains two attachments: the customer survey and the final report. The program assistant normally distributes the cover memorandum, customer survey, and final report to the selected recipients when distributing the final report. An Audit Effectiveness Survey template, including the cover memorandum and customer survey, is included in the TeamMate library.

5.8.3. Survey Tracking. The AAO program assistant will keep a record of customer surveys sent out and retain returned customer surveys in an appropriate office file. In addition, the program assistant will send a copy of each returned customer survey to the applicable audit team for filing with the project working papers. AAOs will normally not follow up on unreturned survey questionnaires.

5.8.4. Survey Results. The office chief maintains return percentages and reports them to the region upon request. At the end of each quarter, the office chief computes the numerical average for each of the survey’s five questions and reports the averages to the region. The office chief should investigate and document (for local use only) a response for all questions receiving a score of “1” and others the office chief deems necessary.

5.8.5. Region Compilation. Each region should compare and average quarterly AAO survey data when received. Investigate any data reflecting adverse trends or occurrences as deemed necessary. By the 15th of the month following each quarter, regions should forward numeric data to the HQ AFAA/DO Executive Council Advisor for inclusion in the AFAA-wide trend analysis.

5.9. Adopted Forms: AF Form 847, *Recommendation for Change of Publication*

AF Form 1768, *Staff Summary Sheet*

CATHLYNN B. NOVEL
Deputy Auditor General
Director of Operations

Attachment 1**GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION*****References***

AFPD 65-3, *Internal Auditing*, 21 April 2010

AFI 31-401, *Information Security Program Management*, 1 November 2005

AFI 33-332, *Privacy Act Program*, 29 January 2004

AFI 65-301, *Audit Reporting Procedures*, 28 May 2010

AFI 65-403, *Followup on Internal Air Force Audit Reports*, 2 June 1994

AFMAN 33-363, *Management of Records*, 31 August 2004

AFAAPD 65-1, *Internal Auditing*, 2 May 2000

AFAAI 65-102, *Centrally Directed Audits*, 6 April 2006

AFAAI 65-103, *Audit Management and Administration*, 1 August 2005

AFAAI 65-105, *Internal Quality Control Program*, 1 September 2005

DoDI 5200.01, *DoD Information Security Program and Protection of Sensitive Compartmented Information*, 9 October 2008

DoDI 7600.02, *Audit Policies*, 27 April 2007

DoD 7000.14-R, *DoD Financial Management Regulations (FMRs), Volume 14, Administrative Control of Funds and Antideficiency Act Violations*, March 2009

GAO-01-1008G, *GAO Internal Control Management and Evaluation Tool*, August 2001

GAO-09-680G, *Assessing the Reliability of Computer-Processed Data*, 1 July 2009

Abbreviations and Acronyms

AAO—Area Audit Office

AFAA—Air Force Audit Agency

AFAA MIS—AFAA Management Information System

AFISRA—Air Force Intelligence Surveillance and Reconnaissance Agency

AFOSI—Air Force Office of Special Investigations

AFRC—Air Force Reserve Command

ANG—Air National Guard

ANG/FMFP—Air National Guard Audit Focal Point

CAATs—Computer Assisted Auditing Tools and Techniques

CDA—Centrally Directed Audit

CDAP—Centrally Directed Audit Program

CoP—Community of Practice

DoD OIG—Office of the Inspector General, Department of Defense

FOIA—Freedom of Information Act

GAGAS—Generally Accepted Government Auditing Standards

GAO—Government Accountability Office

MAJCOM—Major Command

ODIG—AUD—Office of the Deputy Inspector General for Auditing

OIs—Operating Instructions

PMB—Potential Monetary Benefits

PSDC—Purpose, Source, Details, and Conclusion

RDS—Records Disposition Schedule

SAF/GC—Secretary of the Air Force General Counsel

SAR—Summary of Audit Results

SCEP—Student Career Experience Program

USPFO—IR—U.S. Property and Fiscal Office Internal Review

Attachment 2

STANDARD DISTRIBUTION REQUIREMENTS

Note: The following are the normal distribution requirements for installation-level reports of audit. Include a SAR statement with reports forwarded to AFAA elements. Use electronic means, either e-mail or file transfer protocol (FTP), to distribute reports.

A2.1. Responsible Commander. Provide draft and final reports to the unit commander through the unit audit focal point.

A2.2. Major and Intermediate Commands. Provide final reports to the MAJCOM audit focal point and the intermediate command (e.g., numbered Air Force) audit focal point, when applicable. E-mail addresses for command audit focal points are located on the AFAA Home CoP in the MAJCOM gatekeepers listing. **Note:** Some commands have unique distribution requirements for draft and final reports. See Attachment 4 for these distribution requirements.

A2.3. Special Distribution. Some activities need audit reports “For Information Only” to properly monitor their areas of responsibility. See Attachment 4 for these distribution requirements.

A2.4. Internal Distribution. Provide the report and related SAR to the offices indicated below.

A2.4.1. Region. Provide the final report to your region.

A2.4.2. HQ AFAA/DOO. Provide the final report to HQ AFAA/DOO. Also, include the associated locally developed audit program (to include schedules and changes made during the audit).

A2.4.3. CDA-Related Reports. Provide draft and final reports resulting from CDAs to the audit manager.

A2.4.4. AFAA Representatives. Provide the appropriate AFAA representative any report distributed to the MAJCOM or intermediate command. For example, when providing AETC an information copy of a report, also provide the report to the South Central AAO.

A2.5. Local AFOSI Detachment. Provide a copy of the final report to the local AFOSI detachment commander. (See paragraphs 4.2.2.8., 4.9.1.4.2., and 5.5.4 for related text)

Attachment 3

**SPECIAL DISTRIBUTION REQUIREMENTS DUE TO ORGANIZATIONAL
ALIGNMENT (DRAFT AND FINAL REPORTS)**

Note: The following special distribution requirements are in addition to normal distribution requirements and are applicable to all reports. Include a SAR statement with reports forwarded to an AFAA element. Use electronic means, either e-mail or FTP, to distribute reports to special distribution addressees. Indicate in the e-mail messages to special distribution addressees that the report is provided “FOR INFORMATION ONLY.”

	ORGANIZATION	DRAFT REPORT	FINAL REPORT
A3.1.	38th Engineering Installation Group (EIG) Units	Electronic Systems Center Audit Focal Point (ESC/FMP)	38 EIG Audit Focal Point ESC Audit Focal Point (ESC/FMP) AFAA Representative (Tinker AAO) AFAA Representative (Acquisition AAO)
A3.2.	Air Combat Command (ACC)	No special requirement	ACC/IGP (ACCIGP.FRS@langley.af.mil) AFAA Representative (Atlantic AAO)
A3.3.	Air Force Intelligence, Surveillance, and Reconnaissance Agency (AFISRA) Units	693 ISR Group (USAFE) 692 ISR Group (PACAF)	AFISRA Audit Focal Point AFAA Representative (AFAA/SPO) ACC Audit Focal Point AFAA Representative (Atlantic AAO)
A3.4.	Air Force Office of Special Investigations (AFOSI) Detachments	No special requirement	HQ AFOSI/FM AFAA Representative (Northeast AAO)

A3.5.	Air Force Reserve Command (AFRC)	AFRC Audit Focal Point Numbered AF Audit Focal Point	AFRC Audit Focal Point AFAA Representative (Robins AAO) Unit's gaining MAJCOM Audit Focal Point upon mobilization AFAA Representative to the gaining MAJCOM Numbered AF Audit Focal Point
A3.6.	Air National Guard (ANG)*	No special requirement unless unit nonconcur - see note (*) below	ANG Audit Focal Point AFAA Representative (Northeast AAO) State HQ Adjutant General U.S. Property and Fiscal Officer (USP&FO) Unit's gaining MAJCOM Audit Focal Point upon mobilization AFAA Representative to the gaining MAJCOM Numbered AF Audit Focal Point, if applicable
A3.7.	Civil Air Patrol and Reserve Officer Training Corps units	No special requirement	AU Audit Focal Point AFAA Representative (Gulf Coast AAO) AETC Audit Focal Point AFAA Representative (South Central AAO)
A3.8.	Department of Defense Dependent Schools (DoDDS)	No special requirement	DoDDS Internal Review Office
A3.9.	Space and Missile Systems Center (SMC)	SMC Audit Focal Point	SMC Audit Focal Point AFAA Representative (Mountain AAO)
A3.10.	US Air Forces Central (USAFCENT)	AFCENT.audit@shaw.af.mil	AFCENT.audit@shaw.af.mil

* ANGI 65-102, *Auditing in the Air National Guard*, includes detailed procedures for processing AFAA audit reports. The ANG Audit Focal Point (NGB/FMFP) does not require copies of draft reports unless a nonconcurrency exists. Except in cases of nonconcurrency, ANG units respond directly to AAOs. As soon as a potential nonconcurrency is identified during the audit process, provide a copy of the draft report to NGB/FMFP who will attempt to resolve the disagreement by working with the ANG office of primary responsibility and the audit team. If the audit team and NGB/FMFP cannot resolve the nonconcurrency, forward the final report containing the nonconcurrency to the AFAA ANG Representative (afaa.northeast@afncr.af.mil) and NGB/FMFP. The AFAA ANG Representative will allow ANG management approximately 30 days to review and possibly revise its position on the issue(s) in dispute. When the differences cannot be resolved, the AFAA ANG Representative will forward the audit report along with the ANG comments to HQ AFAA/DOO for resolution.

(See paragraphs **4.2.2.8.**, **4.9.1.4.2.**, and **5.5.4.** for related text)

Attachment 4

**SPECIAL DISTRIBUTION REQUIREMENTS DUE TO FUNCTIONAL AREA
AUDITED (FINAL REPORTS ONLY)**

NOTE: The following special distribution requirements are applicable to all final reports. Include a SAR statement with reports forwarded to an AFAA element. Use electronic means, either e-mail or FTP, to distribute reports to the special distribution addressees identified below. Indicate in the transmittal message to external addressees the report is provided “FOR INFORMATION ONLY.”

	FUNCTIONAL AREA	EXTERNAL DISTRIBUTION	AFAA REPRESENTATIVE & INTERNAL DISTRIBUTION
A4.1.	Air Force Aid Society	AFPC/DPSFM Randolph AFB TX	AFAA/SPP South Central AAO
A4.2.	Air Force Working Capital Fund	SAF/FMBMR AF/A4R	AFAA/FSC AFAA/FSF
A4.3.	Chaplain	AF/HC Bolling AFB DC	AFAA/SPH
A4.4.	Civil Engineering	AFCESA/FM Tyndall AFB FL	AFAA/SPE Gulf Coast AAO
A4.5.	Contract – Base Level Activities	SAF/AQC	AFAA/QLC AFAA/QLQ
A4.6.	Contract Admin or Contractor – Operated Facilities or Activities	SAF/AQC	AFAA/QLC AFAA/QLQ
A4.7.	Contract Pricing and Financial Matters	SAF/AQCP	AFAA/QLC AFAA/QLQ
A4.8.	Cyberspace	*AFSPC/FMF/FMFX/IGI MAJOM/Wing Audit Focal Point	AFAA/FSS AFAA/SPO Mountain AAO
A4.9.	Environmental Issues	AFCEE/MSR Brooks City-Base TX	AFAA/SPE South Central AAO
A4.10.	Financial Issues	AFAFO/FMF Denver CO	AFAA/FSC AFAA/FSF
A4.11.	Foreign Military Sales	SAF/AQC SAF/IA SAF/FMBIS	AFAA/QLM

A4.12.	Health Care	AF/SG	AFAA/SPH
A4.13.	Legal	AF/JA	AFAA/SPH
A4.14.	Museums	No special requirement	AFAA/QLR
A4.15.	Nonappropriated Fund Activities (Except Base Restaurant, Base Civilian Welfare and Chaplain's Funds)	AF/A1S AFSVA SAF/FMC	AFAA/SPP South Central AAO
A4.16.	Personnel Data System (reports citing PDS discrepancies)	AFPC/DPDXS Randolph AFB TX	AFAA/SPP South Central AAO
A4.17.	Security Assistance Program (SAP)	SAF/IA SAF/FMBIS	AFAA/QLM
A4.18.	Security Forces	AFSFC/CV Lackland AFB TX	AFAA/SPO South Central AAO
A4.19.	Standard Air Force Automated Information Systems	754 ELSG/FMP Maxwell AFB Gunter Annex	AFAA/FSD Gulf Coast AAO Acquisition AAO Team C
A4.20.	Test and Evaluation	AF/TE	AFAA/QLQ
A4.21.	Voice Communications (reports related to land mobile radios, cellular phones, and other voice communication devices)	AF Network Integration Center Scott AFB IL	AFAA/FSS Midwest AAO
A4.22.	War Readiness Materiel (WRM) Management	AF/A5X	AFAA/SPO AFAA/QLS

* Please provide AFSPC/FMF/FMFX/IGI as well as the applicable MAJCOM and Wing Audit Focal Points with planning and audit announcement memos.

(See chapters 4.2.2.8., 4.9.1.4.2., and 5.5.4 for related text)

Attachment 5

AUDIT FOLLOW-UP LOG (RECOMMENDATIONS SELECTED FOR FOLLOW UP)

COLUMN NUMBERS					
1	2	3	4	5	6
Report Nr.	Result Nr.	Rec Nr.	Estimated Completion Date	Date Action Completed	PMB Claimed/Agreed-to
xxxxxxxx	1	A.1	YY/MM/DD	YY/MM/DD	-0-
	2	B.1	YY/MM/DD	YY/MM/DD	-0-
	2	B.2	YY/MM/DD	YY/MM/DD	\$1.8M/\$1.5M
yyyyyyyy	1	A.2	YY/MM/DD	YY/MM/DD	-0-
	1	A.3	YY/MM/DD	YY/MM/DD	\$500K/\$350K
Instructions					
<p>A5.1. Upon issuing an audit report, enter the applicable data in columns 1 through 6.</p> <p>A5.2. Upon receiving management's status reports on progress in implementing audit recommendations, update the log by either changing the estimated completion date (column 4) or annotating the date management completed agreed-on corrective action (column 5).</p> <p style="text-align: center;">(See paragraphs 5.2.1.4. and 5.7.4. for related text)</p>					