BY ORDER OF THE SECRETARY OF THE AIR FORCE

AIR FORCE INSTRUCTION 65-402

19 JULY 1994

Financial Management

RELATIONS WITH THE DEPARTMENT OF DEFENSE, OFFICE OF THE ASSISTANT INSPECTOR GENERALS FOR AUDITING, AND ANALYSIS AND FOLLOW UP

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This instruction implements AFPD 65-4, *Followup on Internal Air Force Audit Reports and Liaison with External Audit Organizations;* and Department of Defense (DoD) Instruction 7050.3, *Access to Records and Information by the Inspector General*, *Department of Defense,* November 9, 1984; DoD Directive 7600.2, *Audit Policies*, February 2, 1991, DoD Directive 7600.10, *Audits of State and Local Governments, Institutions of Higher Education, and Other Nonprofit Institutions,* May 20 1991; and DoD Directive 7650.3, *Followup on General Accounting Office, DoD Inspector General, and Internal Audit Reports*, September 5, 1989, with Changes 1 through 3. This instruction explains Air Force relation with DoD, Office of the Inspector General (DoDIG), Office of the Assistant Inspector General for Auditing and, Analysis and Followup as related to audits and reviews of the Air Force. Relationship between the Air Force and the General Accounting Office (GAO) is prescribed in AFI 65-401. **Attachment 1** is a glossary of references, abbreviations, and acronyms.

SUMMARY OF CHANGES

This is the initial publication of AFI 65-402, revising AFR 11-38.

1. Responsibilities and Authorities. The Office of the Assistant Inspector General for Auditing (OAIG-AUD), under the direction of the DoDIG, conducts audits of DoD programs and activities. The Office of the Assistant Inspector General for Analysis and Followup (OAIG-AFU), also under the direction of the DoDIG, establishes audit followup policy and manages an audit followup program for DoDIG audit reports.

1.1. The OAIG-AUD plans and conducts:

- Internal audits of the Office of the Secretary of Defense, the Organization of the Joint Chiefs of Staff, the unified commands and defense agencies.

- Interservice audits involving two or more DoD components and single service audits when the cognizant service audit activity can't provide needed audit coverage.
- Quick reaction audits.
- Other audits that the DoDIG considers appropriate.

1.1.1. **Relationships Between the Air Force and OAIG-AUD.** Air Force personnel must cooperate fully with OAIG-AUD auditors. Normally, when an auditor needs to discuss or conduct an audit in the Air Force, the auditor initially contacts the Director for Audit Liaison and Followup (SAF/FMPF). If an auditor contacts an Air Force office that did not receive notification of the audit, the people contacted should call their organization's point of contact who contacts SAF/FMPF to obtain a copy of the audit announcement. Air Force activities must give auditors working on an audit:

- Adequate temporary working space and facilities.
- Prompt, unrestricted access to all Air Force facilities, personnel, and documents. See paragraph **2.4.** for access procedures.
- Interviews with Air Force personnel with specific knowledge about areas under audit.
- Prompt and constructive comments to findings, recommendations, and estimated potential monetary benefits.
- Assistance in determining appropriate security clearance requirements and obtaining full, prompt access to contractor facilities, personnel, and records.
- Briefings on access to special access programs.

1.2. The OAIG-AFU:

- Develops, disseminates and provides oversight of military services compliance with audit followup policy.
- Keeps followup records of management actions and time schedules for responding to and acting on DoDIG findings and recommendations until final disposition.
- Evaluates management actions, taken or planned, to implement DoDIG recommendations and decides if these actions are adequate, alerts managers or the Secretary of Defense to any discrepancies.
- Mediates disagreements between Air Force managers and the OAIG-AUD on audit findings, recommendations, and estimated potential monetary benefits.
- Prepares memorandums on disagreements between Air Force and DoDIG that cannot be resolved at a lower management level for the Inspector General submission to the Deputy Secretary of Defense for decision.
- Monitors, evaluates, and reports to the Secretary of Defense on the DoD audit followup program.

1.2.1. **Relationships Between the Air Force and OAIG-AFU.** Air Force personnel must cooperate with OAIG-AFU representatives. They must promptly grant access to Air Force facilities, personnel, documents, or information relating to followup items. Report objections to releasing information per paragraph **2.4.** Normally, followup personnel auditors who need to discuss an

audit followup inquiry with Air Force personnel will initially contact SAF/FMPF. If an OAIG-AFU person contacts an Air Force office that was not notified of the audit followup, the Air Force official contacted should call the organization's central point of contact who then contacts SAF/FMPF to get a copy of audit followup request.

1.3. **Air Force Responsibilities.** The Assistant Secretary of the Air Force, Financial Management and Comptroller (SAF/FM) manages DoDIG audit liaison and followup, and resolves questions about access to facilities, personnel, and documents.

1.3.1. **Air Force Single Point of Contact.** The Director for Audit Liaison and Followup (SAF/FMPF) who is assigned to the Deputy Assistant Secretary, Plans, Systems and Analysis (SAF/FMP) is the single point of contact for all audit matters with the DoDIG. The SAF/FMPF:

1.3.1.1. Manages Air Force's day-to-day relations with DoDIG to achieve a cooperative, business like rapport.

1.3.1.2. Receives DoDIG audit and audit followup announcements.

1.3.1.3. Sends audit and followup announcements to Secretariat, Air Staff, major commands (MAJCOM), field operating agencies, direct reporting units, Air Force Reserve, and Air National Guard points of contact. In processing announcements, SAF/FMPF:

- Assigns the office of primary responsibility (OPR) and office of collateral responsibility (OCR) to a Secretariat or Air Staff office.
- Distributes copies of announcements to the Secretariat, Air Staff, and MAJCOM offices.
- Prepares and distributes assignment instructions to Air Force offices, OPR and OCRs.
- Requests the OPR and OCR to designate a central point of contact.

1.3.1.4. Notifies applicable Air Force activities of changes in the scope of the audit or followup review, visit of DoDIG personnel to Air Force activities, termination of audit or followup reviews, and closure of audit reports.

1.3.1.5. Processes requests from DoDIG personnel for information, briefings, conferences, and other assistance.

1.3.1.6. Maintains liaison with DoDIG and Air Force personnel to provide any information or assistance in solving audit problems.

1.3.1.7. Receives, reviews, and processes DoDIG audit reports. In processing reports, SAF/FMPF:

- Determines OPR, OCR, and applicable MAJCOMs for each report.
- Prepares and distributes assignment instructions and a checklist to the Air Force central point of contact including required actions, suspense date, the designated point of contact, and so on.
- Summarizes reports of special interest to the Air Force and sends them to SAF/FM.
- Calls the point of contact to determine status of required comments.
- Coordinates Air Force status with auditors.

- Prepares other guidance and provides assistance.

1.3.1.8. Reviews all Air Force comments to DoDIG reports to ensure their completeness, responsiveness, and timeliness. Note: SAF/FMPF's review of comments does not relieve the point of contact of the responsibility to prepare a complete and accurate response to the audit report.

1.3.1.9. Distributes Air Force comments to DoDIG.

1.3.1.10. Reports status of audits, audit reports, and Air Force comments to SAF/FM.

1.3.1.11. Maintains formal records of DoDIG reports including:

- Copy of the DoDIG report.
- Management's position on each finding and recommendation.
- Name of the Air Force point of contact and personnel responsible for taking corrective actions.
- Planned actions and time schedule for completion.
- Copy of audit followup requests and Air Force responses.

1.3.1.12. Receives, reviews, and processes DoDIG audit followup requests. In processing followup requests, SAF/FMPF:

- Identifies the Secretariat and Air Staff points of contact.
- Distributes a copy of the request to the point of contact and other interested Air Force offices.
- Prepares assignment instructions and a checklist for the point of contact which identifies required actions, suspense date, and other pertinent information.
- Calls the point of contact to determine the status of responses.
- Coordinates extension requests from the point of contact with OAIG-AFU.
- Prepares other guidance and provides assistance.
- Reviews proposed response to audit followup requests to ensure that they completely cover the issues raised. Note: SAF/FMPF's review of comments does not relieve the point of contact of the responsibility to prepare a complete and accurate response to the audit followup request.
- Makes sure that followup responses adequately define the potential monetary benefits and reflect the Director of Budget's (SAF/FMB) coordination.
- Makes sure that the appropriate Air Force official signs the report. The point of contact decides the final signatory level.
- Distributes the Air Force followup response by OAIG-AFU's suspense.
- Distributes audit closure letters to the central points of contact.

1.3.1.13. Reports access issues and other matters pertaining to DoDIG audit activities to the Secretariat, Air Staff, or command point of contact.

1.3.1.14. Assesses and reports the timeliness of Air Force comments by comparing the audit suspense for each report to the actual date that comments were provided to the audit organization. Furnish reports per AFPD 65-4, figure A1.2.

1.3.2. **Secretariat, Air Staff, and Special Staff Offices.** Each Secretariat, Air Staff, and Special Staff Office must designate a central point of contact in the staff to manage DoDIG assignments.

1.3.2.1. The central point of contact:

- Gives the designee's name, office symbol, room, fax, and telephone numbers to SAF/FMPF.
- Manages DoDIG audit announcements, reports, followup requests and management comments. Meets all suspense dates set by DoDIG.
- Identifies a point of contact, an action officer, to manage each audit project and prepare Air Force comments within established suspense dates. If the central point of contact believes that another office should be the OPR, they must notify SAF/FMPF as soon as possible.
- Gives SAF/FMPF and DoDIG the name of the point of contact, office symbol, room, fax, and telephone numbers within 5 working days of receiving the audit announcement, report, or followup request.
- Ensures that the point of contact complies with paragraph **1.3.3.**
- Advises SAF/FMPF when the point of contact will miss the established suspense date.
- Informs the Director, Assistant Secretary, Deputy Secretary or other management officials of DoDIG activities within their areas of responsibility.
- Advises SAF/FMPF when the central point of contact or point of contact change.

1.3.3. **The Point of Contact:**

1.3.3.1. Monitors DoDIG activity for the project and is the single point of contact for the audit or followup review.

1.3.3.2. Attends any audit entrance and exit meetings.

1.3.3.3. Assesses the potential sensitivity and impact of the DoDIG audit or followup review on the Air Force. If necessary, the point of contact briefs the Deputy Chief of Staff and other officials.

1.3.3.4. Prepares a statement of impact for the Office of the Secretary and the Chief of Staff, summarizing report highlights and potential effect on the Air Force.

1.3.3.5. Reviews audit reports and followup requests. Prepares any necessary Air Force comments.

1.3.3.6. Ensures completeness of Air Force comments to audit findings, recommendations, potential monetary benefits, and followup requests.

1.3.3.7. Obtains all necessary coordination of Air Force comments (for example, with the Secretariat, Air Staff, MAJCOM).

1.3.3.8. Obtains the appropriate signature. Final signatory level must be at a level sufficient to represent an official Air Force position.

1.3.3.9. Delivers signed comments to SAF/FMPF by the suspense date and informs the central point of contact that the task is completed.

1.3.3.10. Requests extension of a suspense date through the central point of contact from SAF/FMPF and gives reasons for the delay. Request an extension early enough to allow SAF/FMPF to discuss it with the DoDIG. The DoDIG does not usually approve extensions.

1.3.3.11. Obtains all necessary comments from OCRs, MAJCOMs, and other offices. If the members of any Air Force office believe that the response should include their comments, they should call the point of contact for instructions.

1.3.3.12. Implements action per Air Force comments.

1.3.3.13. Maintains a record of all savings that result from implementing audit recommendations.

1.3.3.14. Reviews visit reports from MAJCOMs and ensures that they provide complete and accurate information.

1.3.3.15. Responds to audit followup requests. Comments must confirm that corrective action was taken and include supporting documentation.

1.3.4. **MAJCOM Commanders.** Each commander designates a point of contact at headquarters to manage DoDIG audit assignments and requests.

1.3.4.1. The MAJCOM point of contact:

- Informs SAF/FMPF of his or her name, office symbol, and telephone number.
- Informs the commander and other appropriate officials of DoDIG activities.
- Coordinates DoDIG activities in the command by arranging visits, processing requests for information and technical assistance, expediting Secretariat or Air Staff requests for report comments, and processing other related audit activity.
- Monitors DoDIG auditors during visits to MAJCOM organizations in their command and provides assistance when needed.
- Processes internal reports regarding DoDIG visits to their command organizations and installations. (See paragraph **2.5.** for visit report instructions.)
- Notifies SAF/FMPF when the MAJCOM point of contact changes.

1.3.5. Installation and Activity Commanders. Each commander must designate a local point of contact to manage DoDIG activity, including visit notices and reports and monitoring DoDIG activities during visits. Commanders must provide logistical assistance to the DoDIG personnel during their visits.

2. Performing the Audit:

2.1. **Announcing the Audit.** The DoDIG notifies SAF/FMPF by memoranda as far in advance as possible of an upcoming audit or followup review. Each memoranda includes:

- General audit objectives.
- Project start date.
- A project control number.
- The name of DoDIG personnel (program director and project manager).

2.1.1. When SAF/FMPF receives the memoranda, they update their automated audit tracking system and distribute the memoranda to Secretariat, Air Staff, and MAJCOMs points of contact.

2.1.2. The SAF/FMPF letter specifies what action is required and the name and telephone number of SAF/FMPF's point of contact. If Secretariat, Air Staff, or MAJCOM officials require greater detail about the audit (such as specific audit objectives, organizations and activities to be visited, and so on), the point of contact may call the DoDIG project manager. The point of contact advises SAF/FMPF of their calls to the DoDIG.

2.2. **Auditor Visits to Air Force Installations.** DoDIG gives installation commanders at least a 7-calendar-days advance notice of any visit in connection with audits.

2.2.1. The installation point of contact, through the MAJCOM point of contact, notifies SAF/FMPF on receiving a visit notice or when DoDIG auditors arrive without prior notice.

2.2.2. The DoDIG notice must include the security clearance of each person listed and should go directly to the place of visit.

2.2.3. The DoDIG personnel may telephone the point of contact to make arrangements for limited audit work, audit work of very short duration, or audit work of unusual urgency. The DoDIG personnel should confirm the details in writing as soon as possible.

2.2.4. The point of contact advises SAF/FMPF when DoDIG personnel informs him or her of a planned or "no-notice" visit if the point of contact did not receive a copy of the audit announcement memoranda.

2.2.5. On arrival at the installation, DoDIG personnel visit the commander, identify themselves, and hold an entrance conference to explain the nature of the visit. All DoDIG personnel carry special identification cards which contain their photograph, signature, and a serial number.

2.2.6. During the visit, DoDIG personnel should inform managers of audit or followup progress, changes in objectives, and potential findings.

2.2.7. On completing the visit, DoDIG personnel holds an exit conference with the commander to discuss the results of the audit or followup.

2.3. **Visits to Air National Guard Activities (ANG).** The DoDIG personnel notifies the National Guard Bureau (NGB) in advance of visits to ANG activities (10 U.S.C. 3015).

2.3.1. The NGB promptly notifies affected State Adjutants Generals, US property and fiscal officers, and unit commanders of the audit objectives and approximate dates of visit.

2.3.2. The ANG activities contacts ANGRC/FMP immediately if a DoDIG personnel arrives before official NGB notification. ANGRC/FMP then contacts SAF/FMPF.

2.4. **Granting DoDIG Personnel Access to Information.** Air Force personnel must ensure that DoDIG personnel receive factual, accurate, and complete information. Air Force instructions make no provision for denying Air Force information to DoDIG personnel.

2.4.1. Individuals who have necessary material or information usually give access when asked without reference to higher authority.

2.4.2. Only the Secretary of Defense can deny information or material that a properly cleared DoDIG person needs to complete an audit or followup review.

2.4.3. When questions regarding DoDIG personnel access arise, follow these procedures:

2.4.3.1. The point of contact will consult by telephone with higher headquarters and attempt to resolve the matter without taking formal action.

2.4.3.2. If telephone discussions with higher headquarters do not resolve the dispute, the point of contact will send written objections to the Secretary of the Air Force through SAF/FMPF within 15 days of the initial DoDIG request.

2.4.3.2.1. The point of contact asks the DoDIG personnel to submit the specific access request in writing.

2.4.3.2.2. The office that receives an access request sends the request and their recommendations and supporting rationale to their MAJCOM point of contact for evaluation.

2.4.3.2.3. No individual, commander, or unit head may deny an access request.

2.4.3.2.4. While authorities review the request, the receiving Air Force point of contact, advises the DoDIG personnel that they referred the request for appropriate action.

2.4.4. On receiving the request, the MAJCOM point of contact advises SAF/FMPF that a question involving DoDIG personnel access is under review.

2.4.5. When the MAJCOM's review does not release the information to the DoDIG personnel, the MAJCOM point of contact:

2.4.5.1. Sends the request and the command's recommendations to SAF/FMPF.

2.4.5.2. SAF/FMPF then refers the matter to the Secretariat or Air Staff central point of contact for review.

2.4.6. When the Secretariat or Air Staff point of contact review does not release the information, the central point of contact refers the request and recommendations to SAF/FM, through SAF/FMPF, for resolution.

2.4.6.1. The SAF/FM is the senior Air Force official designated to resolve Air Force personnel questions about DoDIG personnel access to Air Force information.

2.4.6.2. Air Staff personnel must send access questions to SAF/FMPF, through their Secretariat, Air Staff, or command points of contact, for processing to SAF/FM.

2.4.7. Release non-Air Force reports and documents only with the written consent of the originating agency. Normally, DoDIG auditors obtain these documents from the originator.

2.4.8. Air Force Federal Acquisition Supplement (AFFARS), Appendix AA, *Formal Source Selection for Major Acquisitions,* provides specific guidelines on releasing data that may be source selection sensitive.

2.4.9. These Air Force instructions provide specific guidelines about releasing Air Force Inspector General reports, Air Force Audit Agency reports, and other documents:

- AFI 91-2, *Inspector General--Complaints*.
- AFI 91-201, *Use, Disclosure, and Safeguard of Inspector General Records*.
- AFI 91-202, *The Inspector General Complaint Program*.
- AFI 91-102, *US Air Force Inspection Agency (AFIA) Inspections and Management Review*s.
- AFI 91-404, *Investigating and Reporting Mishaps*.
- AFPD 65-3, *Internal Auditing*.
- AFI 65-301, *Audit Reporting Procedures*. These documents contain specific procedures about releasing Air Force Audit Agency reports. ***Note: The Air Force Audit Agency, Directorate of Operations (AFAA/DO), manages release requests for Air Force audit reports.***

2.5. **Reporting Visits.** Following an exit conference, the point of contact prepares a complete visit report (RCS: SAF-FMP[AR]9439) and sends it to the MAJCOM central point of contact when:

- DoDIG personnel uncover problems that installation officials believe higher headquarters personnel need to know.
- DoDIG personnel indicate that audit findings might be used in a report to the Secretary of the Air Force or the Secretary of Defense.
- The report will help personnel at higher headquarters better understand all aspects of the audit.

2.5.1. Visit reports include:

- A project number.
- Names of the principal DoDIG and Air Force personnel involved.
- Inclusive date of the visit.
- Place and purpose of the visit.
- A summary of any discussions held, deficiencies disclosed, and information provided including copies of pertinent documents.
- Any corrective actions taken or recommended.
- Other significant information provided or unusual requests by DoDIG personnel.
- The name of the installation point of contact for the report.

2.5.2. The MAJCOM central point of contact must send a copy of the visit report to SAF/FMPF for forwarding to the Secretariat or Air Staff point of contact.

2.5.3. The visit report is designated emergency code C-3, continue reporting during emergency conditions, precedence delayed. Submit data requirements as prescribed, but they may be delayed to allow the submission of higher precedence reports. Submit by non-electronic means, if possible (see AFI 37-124, *The Information Collections and Reports Management Program; Controlling Internal, Public, and Interagency Air Force Information Collections*).

3. Reporting the Audit. The reporting process involves audit verification, audit reports, Air Force comments, audit nonconcurrences, and audit followup. Note: The reporting requirement in this section is exempt from licensing in accordance with paragraph 2.10.8 of AFI 37-124.

3.1. **Verifying the Audit:**

3.1.1. On finishing the audit, DoDIG auditors may give managers an outline of tentative findings and recommendations.

3.1.2. Air Force managers should use the information to make preliminary comments and provide additional information before auditors issue a draft report.

3.1.3. The auditor may revise or delete findings depending on Air Force comments and additional information.

3.1.4. Air Force personnel must cooperate with the auditors attempts to verify audit findings. Audit verification is crucial because it allows Air Force managers and auditors to work out potential conflicts and to correct errors before releasing a draft report.

3.1.5. Auditors may verify the audit through face-to-face meetings, telephone calls, or formal or informal correspondence.

3.1.6. Air Force personnel do whatever it takes to meet the suspense dates set by the auditor and give auditors all relevant information before they issue a draft report.

3.1.7. When auditors verify the audit at commands or installations, the command point of contact must send copies of all formal and informal correspondence to SAF/FMPF for forwarding to the Secretariat or Air Staff point of contact.

3.1.8. When auditors verify the audit at the Secretariat or Air Staff level, the point of contact coordinates official responses with appropriate command officials.

3.2. **Audit Reports.** The DoDIG uses a two stage reporting process: draft and final.

3.2.1. **Draft Report.** The draft audit report, which is a preliminary version of the report that DoDIG intends to issue and is available to the Air Force for review and comment.

3.2.1.1. A draft report may contain findings, recommendations, and potential monetary benefit estimates.

3.2.1.2. Air Force personnel may discuss draft reports with DoDIG auditors if they believe that discussions would clarify points of accuracy or reconcile substantive issues.

3.2.1.3. Should the auditors decline to discuss a report, the point of contact should notify SAF/FMPF. In turn, SAF/FMPF will take all action necessary to arrange a report discussion.

3.2.1.4. Air Force personnel may not release draft reports or their contents outside the DoD without the approval of the DoDIG.

3.2.2. **Final Reports.** DoDIG auditors present their results in a final report that may include:

- Findings.
- Recommendations.
- Air Force comments.

- Audit responses.

3.2.2.1. Air Force personnel must provide DoDIG comments to final audit reports only if:

- The Air Force did not comment on the draft report.
- No draft report was issued.
- The Air Force disagrees with a finding, recommendation, or an estimated monetary benefit in the final report.
- The final report contains new or changed recommendations.

3.3. **Air Force Comments.** Audit reports can significantly affect the DoD and Air Force. Accordingly, the Secretary of Defense; the Secretary of the Air Force; and the Chief of Staff, USAF, require prompt, responsive and constructive comments from managers to all audit reports.

3.3.1. The DoDIG addresses audit reports and recommendations to SAF/FM and sometimes to a MAJCOM commander. In either case, the Secretariat or Air Staff point of contact must provide Air Force comments to the DoDIG.

3.3.1.1. The point of contact:

- Responds to findings, recommendations, and estimates of potential monetary benefit in DoDIG reports.
- Formulates the Air Force response by obtaining comments from MAJCOMs and other OCRs. Makes sure to include coordinated comments from officials at the Secretariat, Air Staff, commands, and SAF/FMPF.
- Routes input requests through MAJCOM points of contact (SAF/FMPF maintains a complete listing of points of contact). ***Note: Coordinating responses with commands and other OCRs takes considerable time.*** The point of contact must therefore give top priority to preparing, processing, and coordinating comments.
- Obtains appropriate signature by the suspense date.
- Provides written comments on DoDIG audit reports in time to meet the suspense -- usually not more than 60 days from the report date.
- Requests any extension to a suspense date, orally or in writing, through SAF/FMPF as soon possible. ***Note: The DoDIG does not usually authorize extensions.*** If Air Force does not provide comments within the suspense, the DoDIG issues the final report without Air Force input.
- Provides SAF/FMPF a copy of all management comments.

3.3.2. When the Air Force does not provide comments within the suspense, personnel should provide comments as soon as possible.

3.3.3. If the Air Force disagrees with any part of the audit report or fails to comment, a nonconcurrence exists. Resolve all nonconcurrences per DoD Directive 7650.3 and paragraph **3.4.**

3.3.4. Comments must:

- Agree or disagree with each finding, recommendation, and estimated potential monetary benefit statement.

- Propose suitable alternative methods of improvement.
- Describe any taken or planned corrective actions.
- Indicate when actions were completed and estimate when planned actions will be done. If corrective action will continue for an extended time period, the point of contact must set a suspense for each major planned segment.
- Be coordinated with the Deputy Assistant Secretary for Budget (SAF/FMB) if carrying out the audit recommendations will decrease requirements for programmed and budgeted resources.

3.4. **Nonconcurring With the Audit.** When Air Force managers disagree with any part of a DoDIG audit report (finding, recommendation, or potential monetary benefit estimate), they must be prepared to support that disagreement to the level of the Deputy Secretary of Defense, the deciding official for DoDIG reports, if necessary.

3.4.1. The DoDIG may decide to accept the Air Force position, or may transmit the disputed issues to the OAIG-AFU for mediation.

3.4.2. The OAIG-AFU mediation officer reviews the Air Force and audit positions and attempts to facilitate an agreed-upon position. If this is not possible, the DoDIG may request adjudication by the Deputy Secretary of Defense.

3.4.3. When parties reach an agreement:

- The OAIG-AFU mediation officer prepares a decision document containing the terms of the agreement.
- The Air Force official that signs the decision document must ensure that the Air Force meets the agreement terms.

3.4.4. Issues that remain undecided 6 months after the date of the final audit report must be reported in the DoDIG semiannual report to the Congress if still undecided at the end of the reporting period.

3.4.5. The OAIG-AFU tracks action resulting from the adjudication process. Actions agreed-upon as a result of the mediation process are subject to followup audit.

3.5. **Followup Audit.** Air Force and Audit share audit followup responsibility.

3.5.1. After DoDIG issues a final report, the Air Force must implement findings and recommendations.

3.5.2. The Air Force point of contact must document actions to correct conditions cited in audit reports and periodically provide DoDIG with updated status.

3.5.3. The DoDIG monitors the status of followup actions using the Automated Report Tracking System (ARTS) and periodically updates the system. The ARTS contains the following basic information.

- Summary of each audit finding, recommendations, and estimated potential monetary benefits.
- Air Force position on each finding, recommendation, and estimated potential monetary benefit.

- Air Force planned actions with time schedules for completion.
- Status of planned corrective actions.
- Status of potential monetary benefits, including both the audit estimate and the amount to which the Air Force agreed.

3.5.4. On DoDIG's request, the Air Force point of contact provides the documentation necessary to help DoDIG to determine the status of Air Force corrective action on agreed-upon findings, recommendations, and potential monetary benefits.

3.5.5. The DoDIG conducts followup audits either as a separate review or as part of a current audit. Audit objectives define whether their effort includes prior audit findings and recommendation for evaluation.

4. Audits of State and Local Governments, Institutions of Higher Education, and Other Nonprofit Institutions. The Federal government (including DoD components) usually requires audits of state and local governments, institutions of higher education, and other nonprofit institutions to which it provides financial assistance. The Air Force must use the financial and performance audits from nonfederal and independent auditors to oversee such federal assistance.

4.1. The Air Force may request additional audits when regulation requires it or to ensure effective use of such assistance.

4.2. The Air Force must plan, carryout, and separately fund any additional audit efforts to avoid duplication.

4.3. The DoDIG:

4.3.1. Guides, directs, and coordinates audits where DoD gives money to:

- State and local governments.
- Institutions of higher education.
- Other nonprofit institutions.

4.3.2. Ensures that public or DoD auditors:

- Conduct audits.
- Issue reports.
- Resolve disagreements.

4.3.3. Sends reports to appropriate DoD components.

4.4. The Director for Accounting and Banking (SAF/FMPB):

4.4.1. Coordinates with DoDIG on audits of financial assistance to any state and local governments, institutions of higher education, and other nonprofit institutions.

4.4.2. Advises the DoDIG when Air Force assistance to any state or local government, institution of higher education, or nonprofit institution exceeds $100,000 in a year.

4.4.3. Verifies appropriate actions are taken to correct audit deficiencies.

4.4.4. Coordinate with DoDIG on requests for additional audits of these governments and institutions.

ROBERT F. HALE
Assistant Secretary of the Air Force for
Financial Management and Comptroller

Attachment 1

GLOSSARY OF REFERENCES, ABBREVIATIONS, AND ACRONYMS

References

DoD Instruction 7050.3, *Access to Records and Information by the Inspector General*, *Department of Defense*, November 9, 1984

DoD Directive 7600.2, *Audit Policies*, February 2, 1991

DoD Directive 7600.10, *Audits of State and Local Governments, Institutions of Higher Education, and Other Nonprofit Institutions*, May 20, 1991

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Abbreviations and Acronyms

AFAA/DO—Air Force Audit Agency, Director of Operations

AFPD—Air Force Policy Directive

AFIA—Air Force Inspection Agency

ANG—Air National Guard

ANGRC/FMP—Air National Guard Readiness Center, Financial Management, Plans and Programs Division

ARTS—Automated Report Tracking System

DoDIG—Department of Defense Inspector General

MAJCOM—Major Command

NGB—National Guard Bureau

OAIG-AFU—Office of the Assistant Inspector General for Analysis and Followup

OAIG-AUD—Office of the Assistant Inspector General for Auditing

OCR—Office of Collateral Responsibility

OPR—Office of Primary Responsibility

SAF/FM—The Assistant Secretary of the Air Force, Financial Management and Comptroller

SAF/FMB—Director of Budget

SAF/FMP—Deputy Assistant Secretary for Plans, Systems, and Analysis

SAF/FMPB—Director for Accounting and Banking

SAF/FMPF—Director for Audit Liaison and Followup