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Financial Management

**FOLLOWUP ON INTERNAL AIR FORCE
AUDIT REPORTS AND LIAISON WITH
EXTERNAL AUDIT ORGANIZATIONS**

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1. Reducing costs and improving the effectiveness of Department of Defense (DoD) operations are major goals of each audit organization. Through audit recommendations, audit organizations identify ways to improve programs and operations. It is action on recommendations that helps DoD work better at less cost. Air Force policies are established to ensure the intended results are achieved by implementing audit recommendations and that external audit organization activities and products are coordinated effectively with Air Force officials.
2. The Air Force will implement audit recommendations and correct agreed-upon deficiencies in a timely manner. Air Force managers will establish estimated completion dates for all agreed-upon actions.
3. The Air Force will ensure nonconcurrences with audit findings, recommendations, and estimated potential monetary benefits (PMB) are decided within 6 months from the final audit report date.
4. The Air Force will maintain cooperative, businesslike relations with all external audit organizations (for example, the General Accounting Office, DoD Inspector General [IG], and Certified Public Accounting Firms) which may review and evaluate Air Force functions and operations.
5. This directive establishes the following authorities and responsibilities:
 - 5.1. Nonconcurrences between management and the Air Force Audit Agency will be sent to the Under Secretary of the Air Force for final decision.
 - 5.2. The Assistant Secretary of the Air Force for Financial Management and Comptroller (SAF/FM) is the Air Force followup official and audit liaison for contacts with external audit organizations. SAF/FM establishes policy for and executes the Air Force audit followup and liaison programs.
 - 5.3. The Office of the Deputy Assistant Secretary for Plans, Systems and Analysis (SAF/FMP) reports to the DoD IG on financial assistance provided to state and local governments, institutions of higher education, and other nonprofit institutions.

5.4. Secretariat and Headquarters US Air Force (HQ USAF) organizations establish audit followup and liaison focal points, coordinate and monitor external audit activity, provide written comments on draft and final audit reports, and ensure actions taken to implement audit report recommendations meet estimated completion dates and correct identified deficiencies.

5.5. Major commands (MAJCOM), field operating agencies (FOA), and direct reporting units (DRU) designate followup and liaison focal points within financial management organizations and ensure that:

5.5.1. Agreed-upon corrective actions meet estimated completion dates and correct identified deficiencies.

5.5.2. Nonconcurrences with audit report findings, recommendations, and PMBs are processed quickly.

5.5.3. External audit activities are coordinated and monitored.

6. Terms Explained:

6.1. Decided. An agreement is reached between management and auditors on previously undecided (nonconcurrent) findings, recommendations, or monetary benefits, or a senior Air Force official has settled the disagreement. This definition applies to Air Force and installation-level audit reports.

6.2. Undecided. Management has either not commented or concurred on final audit findings, recommendations, or estimated PMB, or audit officials do not agree with the management position. All undecided issues must be decided within 6 months of the audit report date.

7. This policy applies to all audited Air Force organizations and personnel.

8. This directive implements Public Law 95-452, *Inspector General Act of 1978*, October 12, 1978, as amended; Office of Management and Budget (OMB) Circular A-50, *Audit Followup*, September 29, 1982; 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; DoD Directive 7650.2, *General Accounting Office Audits and Reports*, July 19, 1985; DoD Directive 7650.3, *Followup on General Accounting Office, DoD Inspector General, and Internal Audit Reports*, September 5, 1989, with Changes 1 through 3; and DoD Instruction 7050.3, *Access to Records and Information by the Inspector General, Department of Defense (IG)*, November 9, 1984.

9. This policy directive interfaces with AFI 65-401, *Air Force Relations With the General Accounting Office* (formerly AFR 11-8); AFI 65-402, *Air Force Relations With the Department of Defense, Inspector General* (formerly AFR 11-38); and AFI 65-403, *Followup on Internal Air Force Audit Reports* (formerly AFR 175-2).

10. See **Attachment 1** for measures used to comply with this policy.

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Financial Management and Comptroller

Attachment 1

MEASURING COMPLIANCE WITH POLICY

A1.1. Air Force followup policy on internal audit reports will be assessed by measuring the Air Force's timely implementation of agreed-upon audit recommendations. SAF/FMP, MAJCOMs, FOAs, and DRUs will measure annually and report on timely recommendation implementation.

A1.1.1. Timely Recommendation Implementation. The policy to ensure management is timely in implementing audit recommendations and correcting agreed-upon deficiencies will be assessed by ensuring adherence to estimated completion dates. Annually, SAF/FM will measure both implemented recommendations (those closed on or before management's agreed-upon estimated completion date) and deficiencies not corrected after 1 year (**Figure A1.1.**).

A1.2. SAF/FMP will measure quarterly and report annually the timely preparation and submission of management's written comments on DoD IG audit report and followup requests.

A1.2.1. Timely Comment Preparation. SAF/FMP will determine the timeliness of management's written comments by comparing the DoD IG suspense date for each report and followup request to the date actually provided to the DoD IG. Air Force organizations will provide audit report and followup request comments by the required suspense date (**Figure A1.2.**).

Figure A1.1. Sample Metric of Timely Recommendation Implementation.

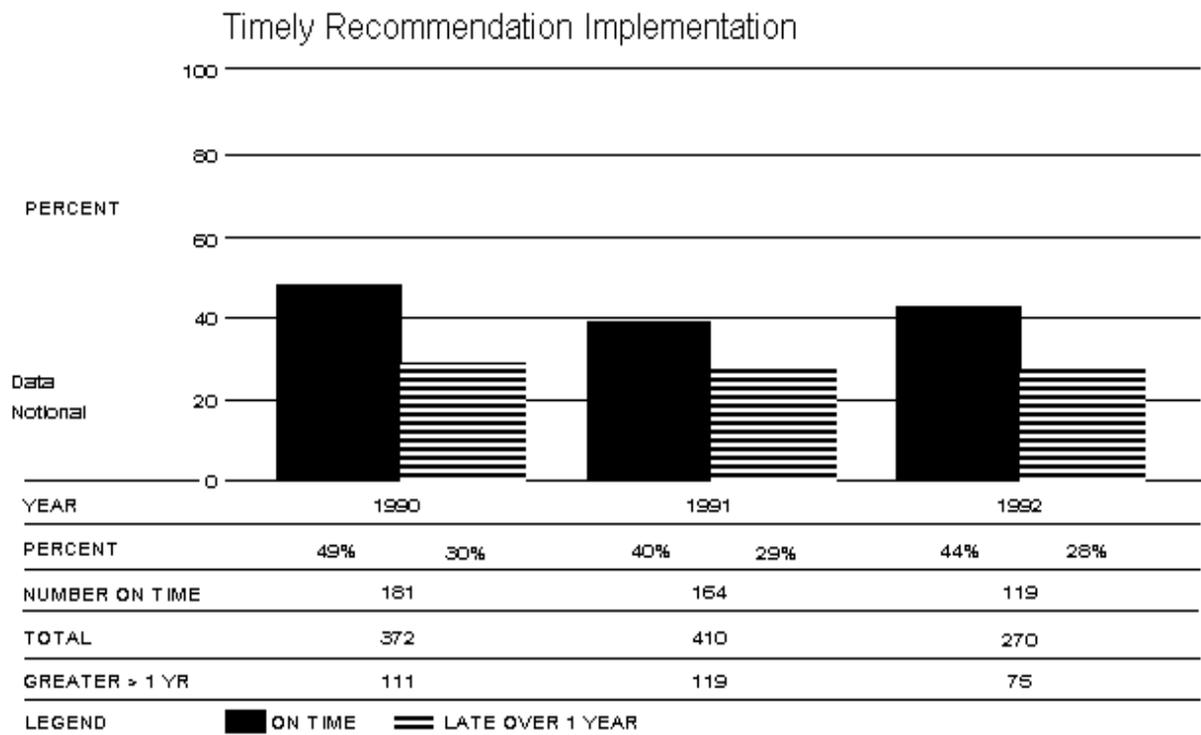


Figure A1.2. Sample Metric of Timely Comments on External Audits.

