This publication implements Air Force Policy Directive 65-3, Audit Services. It provides guidance on the use of audits to improve programs; make financial reporting more accurate; and ensure public resources are used legally, efficiently, and effectively throughout the Air Force. This publication also provides guidance on follow-up policies and responsibilities for deciding, monitoring, and closing findings and recommendations in internal audit reports. This publication applies to all Air Force organizations and activities and their assigned personnel, including the Air National Guard and Air Force Reserve. This publication may be supplemented at any level, but all supplements must be routed to the office of primary responsibility listed above for coordination prior to certification and approval. Refer recommended changes and questions about this publication to the office of primary responsibility listed above using Air Force Form 847, Recommendation for Change of Publication; route Air Force Forms 847 from the field through the appropriate chain of command. The authorities to waive wing/unit level requirements in this publication are identified with a Tier (“T-0, T-1, T-2, T-3”) number following the compliance statement. See Air Force Instruction 33-360, Publications and Forms Management for a description of the authorities associated with the Tier numbers. Submit requests for waivers through the chain of command to the appropriate Tier waiver approval authority, or alternately, to the requestor’s commander for non-tiered compliance items. Ensure that all records created as a result of processes prescribed in this publication are maintained in accordance with Air Force Manual 33-363, Management of Records, and disposed of in accordance with Air Force Records Disposition Schedule in the Air Force Records Information Management System.
SUMMARY OF CHANGES

This publication has been substantially revised and must be completely reviewed. This publication combines and supersedes Air Force Instructions 65-301, Audit Reporting Procedures, and 65-403, Follow-up on Internal Air Force Audit Reports. These changes reflect the transfer of responsibility for Air Force audit liaison and follow-up functions to the Auditor General of the Air Force (SAF/AG). In addition, this publication outlines new service capabilities related to attestations, nonaudit services, Major Command (MAJCOM)-level audits, terminated and cancelled audits, external auditor support, and audit recommendation tracking. These revisions also clarify audit plan development, Air Force Installation and Mission Support Center audit focal point responsibilities, and management comment terminology and signature authority.

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Chapter 1

ROLES AND RESPONSIBILITIES

1.1. Overview. The Air Force Audit Agency (AFAA), under the direction of SAF/AG, is the sole provider of internal audit services and collaborates with internal and external organizations to execute the audit liaison and follow-up program for the Air Force. Auditors must obtain, review and evaluate information to conduct audits. The Department of Defense Office of the Deputy Inspector General for Auditing establishes procedures to coordinate audit services and for access to information between AFAA and non-Air Force investigative, audit, and other agencies. The Office of the Secretary of Defense serves as the final decision authority for disagreements over access to information between AFAA and non-Air Force organizations.

1.2. Secretary of the Air Force. Ensures management of the audit organization complies with generally accepted government auditing standards and DoD Manual 7600.07, DoD Audit Manual. The Secretary of the Air Force serves as the final decision authority for disagreements over access to information and audit reports between AFAA and Air Force organizations.

1.3. Auditor General of the Air Force (SAF/AG).

1.3.1. Directs and manages all internal audit functions, activities, services, and operations within the Air Force, including oversight of AFAA.

1.3.2. Provides oversight for risk-based audit planning and approves the enterprise-level audit plan.

1.3.3. Approves using AFAA resources to support external audit services.

1.3.4. Serves as the Air Force Liaison and Follow-up Official and oversees the follow-up program for all audit recommendations and estimated potential monetary benefits cited in audit reports. SAF/AG monitors and reports the status of the Air Force Audit Follow-up Program to the Secretary of the Air Force.

1.3.5. Establishes guidance, procedures, and systems to implement the liaison and follow-up program. SAF/AG may delegate administrative processing for the liaison and follow-up program to the AFAA Operations Directorate or a designated agency representative.

1.3.6. Provides oversight for disagreements over access to information and audit reports if AFAA and Air Force organizations are unable to resolve at lower management levels.

1.3.7. Elevates unresolved disagreements over access to information and audit reports to the Secretary of the Air Force.

1.3.8. Approves management comment extension requests for Air Force and MAJCOM-level audit reports and revised estimated completion dates on previously agreed-upon corrective actions.

1.4. Air Force Audit Agency (AFAA).

1.4.1. Assistant Auditor Generals and Directors.

1.4.1.1. Provide oversight for all internal audit functions, activities, services, and operations within their respective directorates.
1.4.1.2. Manage audit plan topic development and risk assessments within their respective audit directorates.

1.4.1.3. Issue audit reports to management officials to disclose results of audit services provided. (T-1). Assistant Auditor Generals and Directors may delegate responsibility to designated representatives within their directorates.

1.4.1.4. Provide oversight for disagreements over access to information and audit reports when AFAA and Air Force management are unable to resolve at lower management levels. Assistant Auditor Generals and Directors elevate unresolved disagreements to SAF/AG for resolution.

1.4.2. Audit Personnel.

1.4.2.1. Solicit, develop, research, and coordinate audit topics for risk-based audit plans.

1.4.2.2. Perform audit services for all Air Force organizational components, operational levels, and their assigned personnel, including the Air National Guard and Air Force Reserve, in accordance with Government Auditing Standards, also referred to as generally accepted government auditing standards, and DoD Manual 7600.07. (T-1).

1.4.2.3. Conduct data collection and testing to support external audit and attestation services. (T-1).

1.4.2.4. Coordinate with AFAA Operations Directorate personnel and the offices of primary and collateral responsibility to obtain an action officer for each audit report recommendation and review updated tracking summaries to assess the recommendation implementation status. (T-1).

1.4.2.5. Evaluate management comments to audit reports to determine if management agreed with recommendations and potential monetary benefits. (T-1).

1.4.2.6. Coordinate with the office of primary responsibility to resolve disagreements over access to information and audit reports. (T1).

1.4.2.7. Prepare documentation, on behalf of SAF/AG, to submit unresolved disagreements over access to information and audit reports to the Secretary of the Air. (T-1).

1.4.2.8. Monitor, track, and report the status of management’s corrective actions for audit findings, recommendations, and estimated potential monetary benefits. (T-0).

1.4.2.9. Coordinate with Deputy Assistant Secretary for Financial Operations personnel to identify and process audit reports and recommendations involving Air Force financial improvement, audit remediation, and financial statement-related deficiencies.


1.5. Deputy Assistant Secretary for Financial Operations (SAF/FMF). Advises the Assistant Secretary for Financial Management and Comptroller on all matters relating to financial improvement and audit remediation, to include:

1.5.1. Managing Air Force financial improvement and audit remediation efforts.
1.5.2. Providing management oversight on the coordination of Air Force activities and overall efforts to ensure systems and processes support the sustainment of auditable financial statements.

1.5.3. Developing processes to manage, track, and report deficiencies that impact Air Force financial statements, related corrective action plans, and remediation progress made across the Air Force.


1.6.1. Provide auditors possessing the necessary security clearances with access to information and resources necessary to execute a service. (T-0).

1.6.2. Designate an action officer as a point of contact for coordinating service execution and processing reports with the office of primary responsibility and Air Force Installation and Mission Support Center, as applicable.

1.6.3. Confirm accuracy, validity and completeness of audit results with audit personnel. (T-2).

1.6.4. Submit management response for each audit report. (T-1).

1.6.5. Resolve or elevate disagreements over audit reports by established suspense dates. (T-1).

1.6.6. Implement corrective actions to address identified deficiencies within agreed-upon completion dates. (T-1).

1.6.7. Ensure action officers monitor and document corrective action implementation. (T-1).

1.7. Office of Primary Responsibility.

1.7.1. Coordinates with audit personnel during service execution, results validation, and report processing to verify results accuracy. (T-1).

1.7.2. Resolves or elevates disagreements over access to information and communicate management’s position to designated officials, as necessary. (T-0).

1.7.3. Drafts and submits management’s response to internal audit reports by the established suspense date. (T-1).

1.7.4. Assigns an action officer to each audit report recommendation to monitor and report status for agreed-upon corrective actions. (T-2).

1.7.5. Maintains documentation to support corrective action implementation. (T-2).

1.8. Audit Action Officers/Point of Contact.

1.8.1. Participate in entrance and exit conferences. (T-2).

1.8.2. Coordinate with audit personnel during service execution, results validation, and report processing to verify results accuracy. (T-1).

1.8.3. Resolve or elevate disagreements over access to information and communicate management’s position to designated officials, as necessary. (T-1).
1.8.4. Inform Air Force management within their chain of command about audit status, results, and execution issues. (T-2).

1.8.5. Provide input for management comments to audit reports. (T-2).

1.8.6. Monitor and report the status of agreed-upon corrective actions to the Air Force Audit Liaison and Follow-up Official or the designated representative. (T-2).

1.8.7. Ensure agreed-upon corrective actions are implemented by estimated completion dates. (T-3).

1.8.8. Provide the Air Force Audit Liaison and Follow-up Official or the designated representative with support for implemented corrective actions and monetary benefits realized. (T-2).


1.9.1. Serves as intermediate-level point of contact, referred to as the audit focal point, and tracks related suspenses for Air Force and MAJCOM-level audit services.

1.9.2. Processes Air Force and MAJCOM-level audit related correspondence between AFAA and Air Force personnel, with the exception of the Air National Guard and Air Force Reserve. (T-2).

1.9.3. Coordinates with AFAA personnel, MAJCOM management, and the office of primary responsibility to resolve disagreements over Air Force and MAJCOM-level audit reports. (T-2).

1.9.4. Coordinates with AFAA personnel and installation, wing, and tenant organization focal points to resolve disagreements over installation level audit reports. (T-2).
Chapter 2

INTERNAL AUDIT SERVICES

2.1. Service Types. AFAA performs services in accordance with Government Auditing Standards, also referred to as generally accepted government auditing standards using professional judgment, reasonable care, and professional skepticism. These standards outline the framework for conducting audits with competence, integrity, objectivity and independence. Services, including performance audits, financial audits, attestations, and nonaudit services, assist Air Force management with decision support, operational improvements, and resource accountability. In addition, AFAA personnel may conduct data collection and testing to support external audit services.

2.1.1. Performance Audits. Performance audits involve an examination of a program, function, or operation to assess whether the entity is achieving economy, efficiency, and effectiveness in using available resources.

2.1.2. Financial Audits. Financial audits evaluate an organization’s financial data and reporting processes. Financial audits provide stakeholders, to include taxpayers, reasonable assurance the financial statements are accurate and complete.

2.1.3. Attestations. An attestation is an examination, review, or an agreed-upon procedures service performed on a subject matter or an assertion from another responsible party. AFAA personnel may select the attestation type based on the level of assurance and project scope required, and issue written results to management. In addition, audit personnel must comply with the American Institute of Certified Public Accountants and generally accepted government auditing standards when conducting attestations. (T-1).

2.1.3.1. Examinations. Audit personnel gather evidence to obtain reasonable assurance and express an opinion on whether the subject matter is presented in accordance with established criteria in all material respects.

2.1.3.2. Reviews. Audit personnel gather evidence to obtain limited assurance, also known as negative assurance, and express a conclusion about whether any material modification should be made to the subject area to comply with established criteria.

2.1.3.3. Agreed-Upon Procedures. Audit personnel perform specific procedures on a subject matter or an assertion. During an agreed-upon procedures project, Air Force management and audit personnel must agree to specific procedures performed and the requesting organization takes responsibility for sufficiency of procedures. AFAA reports findings and procedures without providing an opinion or conclusion.

2.1.4. Nonaudit Services. Nonaudit services are considered professional services other than audit or attestations.

2.1.4.1. AFAA may perform a nonaudit service if the requested service complies with provisions outlined in generally accepted government auditing standards and DoD Manual 7600.07. Audit personnel are prohibited from accepting requests associated with specific management responsibilities. Before accepting a nonaudit service request, audit personnel should determine and document whether the service would create a threat to independence, either by itself or in aggregate, with other services provided.
2.1.4.2. When performing nonaudit services, audit personnel should notify the requestor and those charged with governance that the work performed does not constitute an audit.

2.1.4.3. Air Force management should agree to assume responsibility for requested work and designate a point of contact who possesses knowledge, skills, and experience necessary to oversee the service. In addition, management officials should agree to evaluate the adequacy and results of the work performed.

2.2. Service Levels. AFAA offers services at the Air Force, MAJCOM, and installation-level. Audits and attestations may be centrally directed by an AFAA Directorate or locally managed by an Area Audit Office. Air Force-level services address enterprise-wide programs and activities; whereas, MAJCOM-level services focus on regional or MAJCOM specific topics. Installation-level projects provide audit support for installation, wing, and tenant organizations.

2.3. Nonappropriated Fund Audits. Air Force personnel will comply with DoD Instruction 7600.06, Audit of Nonappropriated Fund Instrumentalities and Related Activities, when conducting audits and other related activities of nonappropriated fund instrumentalities. (T-0).

2.4. Private Organizations. The Air Force is not authorized to provide appropriated funds, nonappropriated funds, or personnel supported by these funds to audit private organizations, unless authorized by the Secretary of the Air Force. If Air Force personnel suspect fraud or other improprieties, the installation commander can request an audit of a private organizations in accordance with Air Force Instruction 34-223, Private Organization Program.

2.5. External Auditor Support. Under generally accepted government auditing standards, external auditors may use work by internal auditors to streamline execution for external audits or attestations. AFAA may conduct data collection and testing for external audit organizations. Additional information on external auditor support is outlined in Air Force Instruction 65-302, External Audit Services.
Chapter 3

ACCESS TO INFORMATION

3.1. Access . Air Force personnel will grant auditors possessing the necessary security clearances with full and unrestricted access to all resources necessary to execute audits in accordance with DoD Instruction 7600.02, Audit Policies. (T-0).

3.2. Access Resolution .

3.2.1. Installation-Level Projects. If management initially denies access to resources for installation-level audits or attestations, the audit team should attempt to resolve the disagreement with management officials and the audit focal point. If unable to resolve the disagreement, the audit team will send a written notice to the AFAA MAJCOM representative and the Air Force Installation and Mission Support Center, Air National Guard, Air Force Reserve, or National Guard Bureau, as applicable, within 5 workdays from the time the auditor requested access. (T 1). The AFAA MAJCOM representative should attempt to resolve the disagreement with the MAJCOM office of primary responsibility and Air Force Installation and Mission Support Center. If the disagreement remains unresolved, the AFAA MAJCOM representative will forward the request and a summary of management’s position to the AFAA Operations Directorate within 10 workdays from the initial access request. (T-1).

3.2.2. Air Force and MAJCOM-Level Projects. If management initially denies access to resources for Air Force and MAJCOM-level audit or attestations, the audit team should attempt to resolve the disagreement with management officials. If unable to resolve the disagreement, the audit team will send a written notice to the AFAA MAJCOM representative and the Air Force Installation and Mission Support Center, Air National Guard, Air Force Reserve, or National Guard Bureau, as applicable, within 5 workdays from the time the auditor requested access (T 1). The AFAA MAJCOM representative should attempt to resolve a MAJCOM-level disagreement with the Air Force Installation and Mission Support Center and the office of primary responsibility. If the disagreement remains unresolved, the Assistant Auditor General or Director with audit oversight responsibility will forward the request and a summary of management’s position to the AFAA Operations Directorate within 10 workdays from the initial access request. (T-1).

3.2.3. The AFAA Operations Directorate should refer unresolved access disagreements to the Headquarters Air Force office of primary responsibility for review and resolution. The Headquarters Air Force office of primary responsibility should attempt to resolve the disagreement with the designated AFAA representative. If unable to resolve the disagreement with the office of primary responsibility, AFAA Operations Directorate will forward the AFAA, MAJCOM, and Headquarters Air Force positions to SAF/AG within 15 workdays from the initial access request. (T-1). SAF/AG will submit denial of access information to the Secretary of the Air Force within 20 workdays from the initial access request.

3.3. Decision Authority . The Secretary of the Air Force will decide information access denial issues within 30 workdays from the time the auditor requested access in accordance with DoD Instruction 7600.02.
3.4. Non-Air Force Entity Information. The audit team should coordinate with the AFAA Operations Directorate to request access to information originating from a non-Air Force entity. If the originating entity denies access to resources necessary for internal audits, AFAA Operations Directorate personnel should process disagreements through SAF/AG to the Secretary of the Air Force. If unable to resolve, the Air Force will submit the denial information to the Secretary of Defense. In accordance with DoD Instruction 7600.02, the Secretary of Defense will decide denial issues within 30 workdays from the time the auditor requested access and notify the DoD Office of the Inspector General within 15 workdays of the final denial decision.
Chapter 4

AUDIT PLANNING

4.1. Overview. AFAA prepares fiscal year audit plans through collaborative efforts with Air Force and DoD organizations to prioritize audit topics based on Air Force priorities, vulnerabilities, and high risk areas. Audit plans include projects at the Headquarters Air Force, MAJCOM, and installation levels.

4.2. Risk-Based Audit Planning. Audit personnel utilize a risk-based audit planning process in accordance with DoD Manual 7600.07. The audit planning process focuses internal audit resources on strategic, regulatory, financial, and business risks associated with the Air Force mission. AFAA personnel should evaluate topics from an enterprise perspective to identify audits with a significant investment, sensitivity, known or suspected vulnerability, or substantial impact on Air Force operational capabilities. In addition, during the planning process, audit personnel should consider Air Force strategy, initiatives, or likelihood of adverse impact on Airmen health and safety, security, compliance with the law, and degraded Air Force operations, financial resources, and reputation.

4.2.1. Plan Topics. Audit personnel derive Air Force, MAJCOM, or installation-level plan topics from both internal and external sources. Internal sources include AFAA initiated subjects identified during previous projects and regulatory subjects requiring audit at specified time or program intervals. External sources include commander requests, joint planning group focus areas, and communication with other services’ audit organizations and the DoD Office of the Inspector General. Audit personnel should conduct research on proposed plan topics, including data analysis and coordination with Headquarters Air Force, MAJCOM, installation, wing, and tenant organizations.

4.2.2. Requests. SAF/AG or a designated representative will request audit topics for Air Force, MAJCOM, and installation-level audits at least annually. Air Force management should submit audit topic requests by the established suspense date and identify whether the subject area involves risk factors outlined in paragraph 4.2.

4.3. Coordination. In accordance with DoD Manual 7600.07, AFAA personnel should coordinate with internal and external audit, inspection, investigative, and joint planning group organizations to ensure sufficiency of audit coverage and avoid duplication.

4.4. Enterprise-Level Plan Development. The AFAA Operations Directorate will forward topics received from the audit topic request to the applicable audit directorate. (T-1). Audit directorate personnel will collaborate with Air Force management to develop topics and the audit plan for Air Force and MAJCOM-level audit services. (T-1). Air Force personnel with oversight responsibility over the topic should provide audit personnel with data and information necessary to prioritize each topic based on risk factors outlined in paragraph 4.2.

4.4.1. Directorate personnel should submit a consolidated, prioritized audit topic list for SAF/AG review and approval.

4.4.2. SAF/AG should brief the audit plan to the Enterprise Process Improvement Council. The Enterprise Process Improvement Council may provide feedback on whether the proposed audit plan aligns with Air Force priorities, vulnerabilities, and high risk areas.
4.4.3. SAF/AG will approve the final enterprise-level audit plan and notify Air Force management whether submitted topics requests were included in the audit plan.

4.4.4. AFAA Operations Directorate personnel will publish the enterprise-level audit plan and update the plan at least semiannually. (T-1).

4.5. **Installation-Level Plan Development**. AFAA Field Activities Directorate personnel will collaborate installation-level audit plans with internal and external organizations to identify common audits. (T-2). Air Force stakeholders should provide audit personnel with data and information necessary to prioritize each topic based on risk factors outlined in paragraph 4.2.

4.5.1. Area Audit Office personnel should reconcile proposed installation-level audit plans with the enterprise-level audit plan to prevent duplication of effort. Personnel should submit a prioritized audit plan through their chain of command to the Assistant Auditor General, Field Activities Directorate.

4.5.2. Area Audit Office personnel will notify Air Force management whether submitted topic requests were included in the audit plan and publish the audit plan. (T-2).

4.6. **Plan Updates**. Audit personnel should adjust the plan throughout the fiscal year, as needed, to address emerging risks, opportunities, and priorities.

4.6.1. AFAA audit directorate personnel should review audit plan execution quarterly and update Air Force management with oversight responsibility for the planned topics on plan adjustments.

4.6.2. Air Force management may request audit services at any time during the fiscal year. AFAA directorate personnel will evaluate requested topics, based on risk and available audit resources. (T-2).
Chapter 5

AUDIT PROCESS

5.1. Audit Phases. Each performance or financial audit consists of three phases: planning, fieldwork, and reporting. During planning, audit personnel identify primary audit objectives, collect and analyze data, and develop a general understanding of internal control design and effectiveness. Fieldwork allows audit personnel to collect, analyze, interpret, and document information necessary to accomplish the audit objectives and support the audit results. At fieldwork conclusion, AFAA personnel will validate audit results with management officials (T-2). The reporting phase starts when audit personnel prepare a draft report for management comment. Audit personnel will offer an exit conference to discuss audit results with management officials (T-2). The audit concludes with the issuance of a final report.

5.2. Announcement. Audit personnel should provide Air Force organizations and the audit focal point with written notification of audits and other related services in accordance with DoD Manual 7600.07 and Air Force Instruction 90-201, Air Force Inspection System. Audit personnel should provide notification at least 10 workdays prior to the planned start date, unless the work involves unannounced activities essential to accomplishing the audit objectives, such as cash counts or floor checks.

5.2.1. Based on discussions with Air Force management, audit personnel may defer the start date or select alternate locations if the audited unit is experiencing significant operational demands (i.e., deployments, exercises, or inspections) and conducting the audit would create unusual workload demands.

5.2.2. Air Force management and AFAA personnel may schedule an entrance conference, also referred to as an in-brief, around the scheduled start date identified in the announcement memorandum.

5.3. Terminated Audits. AFAA may terminate an audit prior to completion, when necessary. Audit personnel will document the results to date and the reason for termination. (T-1). In addition, audit personnel should use professional judgment to determine the communication format with management.

5.4. Cancelled Audits. AFAA personnel may cancel planned audits based on emerging issues or program changes. AFAA personnel will update the audit plan and notify Air Force management about audits cancelled during the fiscal year. (T-2).

5.5. Reports. Audit personnel will issue reports outlining results, findings, recommendations, and conclusions in accordance with generally accepted government auditing standards. (T-1).

5.5.1. Report requirements vary based on the service type. Audit personnel should use a report format appropriate for the intended disclosure. User needs may influence the report format. Report formats include written reports, letters, briefing slides, or other presentation materials.

5.5.2. Audit personnel may issue an interim report when results require prompt management attention or to convey the status of a complex audit. The interim report provides management an opportunity to initiate early corrective actions on identified findings.
5.6. **Report Classification**

5.6.1. The office of primary responsibility, action officers, and AFAA personnel will verify reports containing classified, For Official Use Only, and personally identifiable information are classified and marked in accordance with DoD Manual 5200.01, *DoD Information Security Program*, and other related guidance. (T-0). Personnel may utilize local security managers, program security officers, or the original classification authority for additional guidance.

5.6.2. Audit personnel will request a formal written classification review from the office of primary responsibility for all draft reports involving the review of classified or operational readiness information. (T-2). Management officials in the office of primary responsibility should provide a response to requests by the established suspense date.

5.7. **Draft Reports**. Audit personnel will distribute draft reports to the audit focal point and the Air Force offices of primary and collateral responsibility. (T-2).

5.7.1. Air Force management may forward the draft report to additional Air Force stakeholders, as necessary; however, management must obtain SAF/AG or Assistant Auditor General approval before releasing report content outside of the Air Force. (T-2).

5.7.2. The offices of primary and collateral responsibility and action officers will validate audit results. (T-2). During validation, Air Force personnel should also confirm computation methods and appropriations information used to estimate potential monetary benefits.

5.8. **Management Corrective Actions**. Air Force management is encouraged to correct deficiencies during the audit process. If management completes corrective action during the audit, management officials should provide the audit team with documentation of action taken. If time permits before issuance of the final report, the audit team may evaluate corrective action support and recognize management’s action in the final report.

5.9. **Management Comments**. Air Force management will respond in writing to all draft audit reports containing recommendations or potential monetary benefits. (T-1). Management may provide verbal comments during the exit conference on reports that do not contain recommendations or potential monetary benefits.

5.9.1. Audit personnel will request management provide comments on the draft report’s findings, recommendations, and potential monetary benefits or other benefits cited in the report. (T-2).

5.9.1.1. The office of primary responsibility will indicate whether they agree or disagree with each finding, recommendation, and potential monetary benefit cited in the audit report. (T-1). If management agrees with the finding and need to take action but disagrees with the recommendation cited in the report, management may indicate they partially agree and propose an alternative action to correct the reported deficiency. The office of primary responsibility should carefully articulate management’s position to prevent audit personnel from interpreting comments as a disagreement.

5.9.1.2. Management comments will include a description of completed and planned corrective actions and list the actual or estimated completion date for each corrective action. (T-1). If corrective actions are scheduled to take longer than a year to complete, management comments should identify interim milestones.
5.9.1.3. Management officials will outline the rationale for any disagreements in the written comments. (T-1). In addition, if management disagrees with potential monetary benefits, management will outline justification for the disagreement and provide evidence to support alternative potential monetary benefit calculations, if applicable. (T-1).

5.9.2. Air Force management will submit written comments on reports with recommendations or potential monetary benefits within 30 days of draft report issuance. (T-1). The audit team may reduce the comment period to 15 days for interim reports and draft reports without recommendations and potential monetary benefits. Management comments become part of the final report and should be written clearly and concisely. Further, management should verify the final report fully documents management’s position.

5.9.3. The Headquarters Air Force principle, deputy, executive director, or equivalent with oversight responsibility over the subject area will approve and sign comments for Air Force-level reports. The MAJCOM commander, deputy, executive director, director of staff or equivalent with oversight responsibility for the subject area will approve and sign comments for MAJCOM-level reports. (T-1). The commander or deputy with oversight responsibility for program and activities involved in the project will approve and sign comments for installation-level reports. (T-2).

5.9.4. Audit personnel should communicate with the office of primary responsibility throughout the reporting phase to clarify audit report content and facilitate timely comment submission. Air Force management may request an extension to the comment period if they are unable to respond by the suspense date due to unforeseen circumstances. The signature authority levels listed in paragraph 5.9.3. will submit extension requests. (T-1). SAF/AG or a designated representative is the approval authority for extensions on Air Force-level reports. Similarly, the Field Activities Directorate, Assistant Auditor General, or a designated representative is the approval authority for comment extension requests involving MAJCOM and installation-level reports.

5.10. Comment Evaluation. The audit team will evaluate management comments to determine if signed comments comply with requirements in paragraph 5.9.1. (T-2). In addition, the audit team should determine whether comments address results presented in the report and actions taken or planned are responsive and should correct the finding.

5.10.1. If management’s comments comply with all requirements, the audit team should consider the comments as responsive and incorporate verbatim management comments, along with an audit evaluation, in the final report.

5.10.2. If management’s comments do not comply with all requirements, the audit team will consider the comments as non-responsive and coordinate with management officials to resolve issues. (T-2). If unresolved after 30 days from draft issuance, audit personnel may issue the final report with management comments and an audit rebuttal. In addition, if the report contains a disagreement, AFAA personnel and Air Force management will follow the disagreement resolution process outlined in paragraph 5.13. (T-2).

5.10.3. If management does not provide comments, the audit team will coordinate with management officials to resolve any issues (T-2). If unresolved after 30 days from draft issuance, audit personnel may issue the final report without management comments and follow the disagreement resolution process outlined in paragraph 5.13.
5.11. Final Reports.

5.11.1. Air Force and MAJCOM-Level Reports. AFAA personnel will distribute the final report to the audit focal point, the offices of primary and collateral responsibility, and other Air Force management with oversight responsibility (T-1). AFAA Operations Directorate personnel will coordinate with the office of primary responsibility and assigned action officer to track the corrective actions for each audit recommendation. (T-1). Additional information on recommendation tracking is outlined in Chapter 7.

5.11.2. Installation-Level Reports. Area Audit Offices will distribute the final report to the audit focal point, the offices of primary and collateral responsibility, MAJCOM officials, and Air Force Installation and Mission Support Center, as applicable (T-1). Area Audit Office personnel will coordinate with the office of primary responsibility and assigned action officer to track the corrective actions for each audit recommendation (T-1). Additional information on recommendation tracking is outlined in Chapter 7.

5.12. Report Availability. The final audit report represents a historical document available for use by internal and external organizations. Government agencies, including the DoD Office of the Inspector General, Government Accountability Office, and Congress, have access to final reports. AFAA personnel may also release final reports to the public under the Freedom of Information Act.

5.13. Disagreement Resolution. Air Force management and AFAA personnel will resolve all disagreements, also referred to as nonconcurrences, on audit findings, recommendations, and estimated potential monetary benefits within 6 months of final audit report issuance. (T-1).

5.13.1. The office of primary responsibility should notify the audit team immediately if they plan to disagree with findings, recommendations, or potential monetary benefits cited in the report. In addition, action officers should explain their position to the audit team. Based on discussions with management, the audit team may reevaluate existing or additional evidence and issue a revised draft report.

5.13.2. Air Force management and audit personnel should attempt to resolve disagreements at the lowest possible level. Audit personnel should evaluate management’s position at each level of the resolution process. If the disagreement remains unresolved, the AFAA representative will elevate the issue to the next level of authority. (T-2).

5.13.3. Audit personnel should request Air Force General Counsel assistance if a disagreement requires legal interpretation.

5.13.4. Air Force management and AFAA personnel should document resolution efforts. Audit personnel should retain documentation in the working papers in accordance with the Air Force Records Disposition Schedule. At a minimum, official working papers should include the audit report, transmittal memorandum, audit chronology, point of contact information, management position, resolution correspondence, and the final resolution memorandum.

5.13.5. Installation-Level. If Air Force management and the audit team are unable to resolve a disagreement with an installation-level report, the audit team will coordinate with the audit focal point and the AFAA MAJCOM Representative, Air Force Installation and Mission Support Center, Air National Guard, or Air Force Reserve representative, as applicable. (T-
2). If the disagreement remains unresolved, the audit team will issue the report and forward the report and a summary of positions through their chain of command to SAF/AG or the designated representative. (T-1).

5.13.6. Air Force and MAJCOM-Level. If Air Force management and the audit team are unable to resolve a disagreement with an Air Force or MAJCOM-level report, the applicable Assistant Auditor General or designated representative should forward the report and a summary of positions to SAF/AG for resolution.

5.13.7. Air National Guard and Air Force Reserve. The audit team should elevate disagreements involving Air National Guard or Reserve units to the AFAA Air National Guard or Air Force Reserve representative. The AFAA representative should provide the report to the applicable headquarters staff and discuss the disagreement. If unresolved within 60 days, the AFAA representative will forward the report and summary of positions from the audit team and management officials to SAF/AG or the designated representative for resolution. (T-1).

5.13.8. Headquarters Air Force. SAF/AG or the designated representative will coordinate with Headquarters Air Force personnel to discuss each disagreement. If unresolved within 30 days of receipt, SAF/AG will forward the report and summary of positions to the Secretary of the Air Force for final resolution in accordance with Office of Management and Budget Circular A-50.

Chapter 6

POTENTIAL MONETARY AND NON-MONETARY BENEFITS


6.2. Monetary Benefits. Potential monetary benefits are a reasonable estimate or a known benefit, expressed as a dollar value, if management implements the audit recommendations. Monetary benefits are categorized as funds put to better use or questioned costs. Estimated potential monetary benefits are included in either category but may not be included in both. Audit personnel compute potential monetary benefits from the most reasonable data available using generally accepted principles, models, or formulas. In addition, audit personnel may use statistical sampling to project potential monetary benefits to the samples universe as outlined in DoD Manual 7600.07.

6.2.1. Funds Put to Better Use. Funds put to better use involve funds that could be used more efficiently if management implements the audit recommendations. Additional information regarding this category is outlined in DoD Manual 7600.07 and Air Force Manual 65-610, Business Case Analysis Procedures.

6.2.2. Questioned Costs. Questioned costs are identified because of an alleged violation of a provision of a law, regulation, contract, or other agreement. Costs may involve unnecessary or unreasonable expenditures. Costs that management agrees should not be charged to the government are referred to as disallowed costs.

6.2.3. Audit personnel should include appropriate offset costs in potential monetary benefit computations. Offset costs include all known direct or indirect costs incurred to implement the corrective action associated with the potential monetary benefit.

6.2.4. Potential monetary benefits may be one-time or annual. The amounts reported are limited to a 6-year period covered by the most current Program Objective Memorandum, DoD Program Decision Memorandum, or Approved Future Years Defense Program.

6.3. Non-monetary Benefits. Non-monetary benefits are important but cannot be readily expressed in monetary terms. Non-monetary benefits may involve recommendations related to operational readiness, personnel safety, internal controls, or streamlined organizational structure and processes. Non-monetary benefits should be expressed using the most appropriate quantitative measurement.

6.4. Coordination. AFAA personnel coordinate potential monetary benefits with the audited organization and the funds owner. The audit team should:

6.4.1. Identify program resources and expenditures during the planning phase of the audit.

6.4.2. Provide potential monetary benefit calculations, factors, assumptions, and associated support to the AFAA Operations Directorate for review and validation. This independent review enhances consistency in accumulating, categorizing, and reporting monetary benefits.
6.4.3. Coordinate with Headquarters Air Force, MAJCOM, installation, or other applicable financial management personnel to validate computation methods and confirm funding sources and appropriations data.

6.5. Management Validation. The office of primary responsibility and assigned action officer should coordinate with audit personnel to validate computation methods and appropriations data. Management officials should respond to requests for additional information related to potential monetary benefits by the established suspense date.

6.6. Summary of Audit Results. Audit personnel should attach a summary of audit results statement to each draft report provided to management. Audit personnel should verify the statement corresponds with benefits identified in the report and outlines benefit calculations.

6.7. Congressional Reporting. The AFAA Operations Directorate will compile data and submit semiannual status reports to the DoD Office of the Inspector General within 30 calendar days of the two 6-month reporting periods ending 31 March and 30 September. (T-0).

6.7.1. AFAA personnel should track benefit amounts cited in audit reports and include the information in Air Force submission to the DoD Office of the Inspector General Semiannual Report to the Congress.

6.7.2. Audit personnel may request documentation or other support for potential monetary benefit disposition or realization.

6.7.3. The office of primary responsibility and assigned action officer should provide disposition and realization information by the established suspense date.
Chapter 7

RECOMMENDATION TRACKING AND FOLLOW-UP

7.1. Overview. The Air Force audit follow-up program tracks the corrective actions for audit recommendations as directed in DoD Instruction 7650.03, *Follow-up on Government Accountability Office, Inspector General of the Department of Defense, and Internal Audit Reports*.

7.2. Recommendation Data. AFAA Operations Directorate personnel will coordinate with the office of primary responsibility and assigned action officers to track each Air Force or MAJCOM-level recommendation from final report issuance until closure. *(T-0)*. Area Audit Office personnel should coordinate with management officials to track installation-level recommendations.

7.2.1. Headquarters Air Force, MAJCOM, field operating agencies, direct reporting units, and other Air Force organizations should provide the Air Force Audit Liaison and Follow-up Official or a designated representative with action officer contact information for each recommendation listed in the final audit report. The office of primary responsibility should update action officer contact information, as necessary.

7.2.2. Audit personnel may contact Air Force leadership, management officials, and action officers to request status updates on corrective action plans and recommendations. Management will provide requested information through their chain of command by the established suspense date. *(T-2)*.

7.2.3. AFAA Operations Directorate personnel will maintain a tracking system for Air Force and MAJCOM level audit recommendations. *(T-1)*.

7.2.3.1. Audit personnel will provide SAF/AG and agency leadership with status updates on agreed-upon actions. *(T-2)*.

7.2.3.2. AFAA personnel will provide Air Force leadership, management officials, and action officers with oversight responsibility for the subject area with access to current recommendation status and audit report information, when requested. *(T-2)*

7.2.4. Air Force management may request an extension to the previously agreed-upon recommendation estimated completion date. The signature authority level listed in paragraph 5.9.3. should submit extension requests for Air Force or MAJCOM-level recommendations to SAF/AG or a designated representative for approval. The applicable Area Audit Office should review and approve installation-level extension requests. If the extension is approved, AFAA personnel should update tracking records to the revised estimated completion date.

7.3. Recommendation Closure. AFAA personnel will document resolution and corrective actions taken in response to agreed-upon audit findings, recommendations, and potential monetary benefits in accordance with Office of Management and Budget Circular A-50. *(T-0)*.

7.3.1. Prior to the estimated completion date, AFAA Operations Directorate personnel may contact action officers to discuss closure procedures.
7.3.2. Action officers will provide audit personnel with a written summary of actions taken for each open recommendation by the agreed-upon estimated completion date. (T-1). In addition, action officers will provide support for monetary benefits realized. (T-1). The written summary of actions taken should reflect the same level of signature authority required in paragraph 5.9.3.

7.3.3. Action officers will submit a request to close each recommendation after implementing agreed-upon corrective actions. (T-1).

7.3.4. AFAA Operations Directorate personnel should review closure requests and notify the action officer of recommendation closure disposition.

7.4. Financial Improvement and Audit Remediation Recommendations. The Deputy Assistant Secretary for Financial Operations monitors and tracks all Air Force financial improvement and audit remediation related deficiencies.

7.4.1. AFAA Operations Directorate personnel will coordinate with Deputy Assistant Secretary for Financial Operations personnel to identify draft and final audit results and recommendations that impact financial statement reporting. (T-1)

7.4.2. Deputy Assistant Secretary for Financial Operations personnel will notify the AFAA Operations Directorate and Air Force action officers which internal audit reports and recommendations are categorized and tracked as financial statement-impacting deficiencies.

7.4.3. Action officers will provide the Deputy Assistant Secretary for Financial Operations with corrective action plans and monthly status updates for each internal audit recommendation identified and tracked as a financial statement-impacting deficiency. (T-1).

7.4.4. Deputy Assistant Secretary for Financial Operations and AFAA Operations Directorate personnel should reconcile the status of internal audit results and recommendations that impact financial statement reporting at least semi-annually.

7.5. Follow-Up. Audit personnel may perform audits to evaluate effectiveness of actions taken to implement recommendations, eliminate findings, and realize potential monetary benefits.

DOUGLAS M. BENNETT
The Auditor General
Attachment 1

GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION

References
Air Force Policy Directive 65-3, Audit Services, 8 August 2018
Air Force Instruction 33-360, Publications and Forms Management, 1 December 2015
Air Force Instruction 90-201, Air Force Inspection System, 21 April 2015
Air Force Instruction 65-302, External Audit Services, 23 August 2018
GAO-12-331G, Government Auditing Standards, December 2011
DoD Manual 7600.07, DoD Audit Manual, 3 August 2015
DoD Instruction 7600.06, Audit of Nonappropriated Fund Instrumentalities (NAFI) and Related Activities, 5 November 2012
Air Force Instruction 34-223, Private Organization (PO) Program, 8 March 2007
DoD Instruction 7600.02, Audit Policies, 15 March 2016
DoD Manual 5200.01, DoD Information Security Program, 24 February 2012
Office of Management and Budget Circular A-50, Audit Follow-up, 29 September 1982
DoD Instruction 7650.03, Follow-up on Government Accountability Office (GAO), Inspector General of the Department of Defense (IG DoD), and Internal Audit Reports, 18 December 2014

Adopted Forms
Air Force Form 847, Recommendation for Change of Publication

Abbreviations and Acronyms
AFAA—Air Force Audit Agency
DoD—Department of Defense
MAJCOM—Major Command
SAF/AG—Auditor General of the Air Force

Terms
Attestation service — An examination, a review, or agreed-upon procedures service provided under the American Institute of Certified Public Accountants standards to assess an assertion or declaration by a responsible party that a subject matter complies with established criteria.
Deficiency — The design or operation of an internal control may prevent management or employees from accomplishing their assigned functions. A significant deficiency related to
financial reporting involves control deficiencies that adversely affect organization’s ability to initiate, authorize, record, process or report financial data.

**Government Auditing Standards.** —Criteria issued by the Government Accountability Office to conduct audits, attestations, and nonaudit services for government entities, programs, and operations. Standards are also referred to as generally accepted government auditing standards.

**Limited assurance**—Level of confidence or conclusion on whether any material modifications to the subject matter are necessary to comply with established criteria.

**Nonaudit service** —Professional services, other than audits or attestations, to provide Air Force personnel with information or data without conducting verification, analysis, or evaluation.

**Realized Potential Monetary Benefits** —Personnel or program achieve actual monetary amount after implementing agreed-upon corrective actions.

**Reasonable Assurance** —Level of confidence or opinion on whether financial or non-financial subject matter complies with criteria in all material respects.