This publication implements Air Force Policy Directive 65-3, Audit Services. It provides guidance on the use of external 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 external 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 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 AFI 65-401, Relations with the Government Accountability Office, and AFI 65-402, Relations with the Department of Defense, Office of the Assistant Inspector Generals for Auditing, and Analysis and Follow-up. 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). These revisions also outline new service capabilities related to external audit support and audit recommendation tracking, incorporate Air Force Installation and Mission Support Center audit focal point responsibilities, revise management comment terminology and signature authority, and streamline audit liaison processes between Air Force and Air Force Audit Agency (AFAA) personnel.

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Chapter 1

ROLES AND RESPONSIBILITIES

1.1. Overview. External audit organizations, including the Government Accountability Office, Department of Defense Office of the Inspector General (DoD OIG), and independent public accounting firms may provide audit services for government organizations.

1.2. Government Accountability Office (GAO).

1.2.1. Conducts financial audits, program reviews and evaluations, policy analyses, investigations and other services to provide Congress with information about the economy, efficiency, and effectiveness of the Federal Government. Service coverage includes Air Force organizational components and operational levels and their assigned personnel, including Air National Guard and Air Force Reserve.

1.2.2. Issues written project announcements.

1.2.3. Coordinates with Washington Headquarters Services (WHS) and the Air Force Audit Liaison and Follow-up Official to execute services.

1.2.4. Conducts entrance and exit conferences, along with site visits, as necessary.

1.2.5. Issues reports to management officials to disclose results of services provided.

1.2.6. Coordinates with WHS, the Air Force Audit Liaison and Follow-up Official, and Air Force management to resolve disagreements over access to information and audit reports.

1.2.7. Requests follow-up information for corrective actions to audit recommendations and coordinates with WHS, the Air Force Audit Liaison and Follow-up Official, and Air Force management to close recommendations.


1.3.1. Plans and conducts audits of DoD programs, operations, and resources in accordance with DoD Directive 5106.01, Inspector General of the Department of Defense. Audits may involve the Office of the Secretary of Defense, Chairman of the Joint Chiefs of Staff, unified commands, defense agencies, or DoD components.

1.3.2. Conducts and oversees external peer reviews in accordance with GAO-12-331G, Government Auditing Standards, also referred to as generally accepted government auditing standards, and the Council of the Inspectors General on Integrity and Efficiency.

1.3.3. Provides the Air Force Audit Liaison and Follow-up Official written project announcements.

1.3.4. Conducts entrance and exit conferences, along with site visits, as necessary.

1.3.5. Issues reports to management officials to disclose results for services provided.

1.3.6. Establishes audit follow-up policy and manages the audit follow-up program.

1.3.7. Coordinates with the Air Force Audit Liaison and Follow-up Official and Air Force management to resolve disagreements over access to information and audit reports.
1.3.8. Requests follow-up information for corrective actions to audit recommendations and coordinates with the Air Force Audit Liaison and Follow-up Official and Air Force management to close recommendations.

1.4. **Independent Public Accounting Firms**. Provide financial audit services for appropriated and nonappropriated fund activities under Air Force contract. Based on the service type and Air Force activity, public accountants:

1.4.1. Provide Air Force management with written audit notifications.

1.4.2. Conduct entrance and exit conferences, along with site visits, as necessary.

1.4.3. Coordinate with the Deputy Assistant Secretary for Financial Operations, Air Force Services Activity, the Air Force Audit Liaison and Follow-up Official, and Air Force management, as applicable, to execute services.

1.4.4. Issue reports to management officials to disclose results for services provided.

1.4.5. Coordinate with the Deputy Assistant Secretary for Financial Operations, the Air Force Audit Liaison and Follow-up Official, and Air Force management, as applicable, to resolve disagreements over access to information and audit reports.

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

1.5.1. Serves as the Air Force Liaison and Follow-up Official.

1.5.2. Establishes guidance, procedures, and systems to implement the liaison and follow-up program. SAF/AG may delegate administrative duties for the liaison and follow-up program to the AFAA Operations Directorate.

1.5.3. Acts as liaison between Air Force management, external audit organizations, and WHS to execute audits, reviews, evaluations, analyses, investigations, follow-up reviews, and external peer reviews.

1.5.4. Coordinates with Air Force management, external audit organizations, and WHS to resolve disagreements over access to information and audit reports.

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

1.5.6. Reports Air Force Audit Follow-up Program status to the Secretary of the Air Force and Air Force management.

1.5.7. Reports unresolved disagreements over audit reports exceeding 6 months to DoD OIG.

1.5.8. Approves using AFAA resources to support external audit and attestation services.

1.6. **Air Force Audit Agency (AFAA)**.

1.6.1. Performs administrative liaison and follow-up program duties on behalf of SAF/AG.

1.6.2. Forwards written announcements to Air Force management with governance or operational responsibility in the subject area. (T-1).

1.6.3. Requests Air Force management assign Air Force action officers and provide point of contact information for each announced project. (T-1).
1.6.4. Coordinates entrance and exit conferences with Air Force management and external audit organizations.

1.6.5. Processes draft and final audit reports from external audit organizations and verifies Air Force management’s comments address all findings, recommendations, and potential monetary benefits cited in external audit reports.

1.6.5.1. Coordinates with Air Force management, external audit organizations, and WHS to resolve disagreements over access to information and audit reports. (T-1). AFAA personnel prepare documentation to process unresolved disagreements.

1.6.5.2. Reports the status of unresolved disagreements over access to information to SAF/AG. (T-1).

1.6.6. Coordinates with designated DoD service audit agencies, including Naval Audit Agency, Army Audit Agency, and DoD OIG, during external peer reviews. (T-1).

1.6.7. Monitors, tracks, and reports the status of management’s corrective actions for audit findings, recommendations, and estimated potential monetary benefits. (T-0).

1.6.8. Coordinates with Air Force management, external audit organizations, and WHS to identify and document status of audit recommendations and potential monetary benefits. (T-1).

1.6.9. Coordinates with Deputy Assistant Secretary for Financial Operations personnel to identify and track audit recommendations involving financial improvement and audit remediation and financial related deficiencies.

1.6.10. Conducts data collection and audit testing to support external audit services. (T-1).

1.7. 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:

1.7.1. Managing Air Force financial improvement and audit remediation efforts.

1.7.2. 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.

1.7.3. 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.


1.8.1. Assign offices of primary or collateral responsibility to each external audit service based on functional areas and objectives. (T-1).

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

1.8.3. Coordinate with external audit personnel during service execution, results validation, and report processing to verify results accuracy.
1.8.4. Review and approve management responses to external audit reports by established suspense dates.

1.8.5. Evaluate disagreements over access to information and audit reports when Air Force management and external audit organizations are unable to resolve at lower management levels.

1.8.6. Assist offices of primary and collateral responsibility with resolving service issues.

1.8.7. Implement corrective actions to address identified deficiencies within agreed-upon completion dates.

1.8.8. Ensure action officers monitor and document corrective action implementation.

1.9. Offices of Primary or Collateral Responsibility.

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

1.9.2. Resolve or elevate disagreements over access to information and communicate management’s position to designated officials, as necessary. (T-1).

1.9.3. Draft and submit management’s response to external audit reports by established suspense dates. (T-2).

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

1.9.5. Maintain documentation to support corrective action implementation. (T-2).

1.10. Air Force Action Officers.

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

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

1.10.3. Resolve disagreements over access to information and communicate management’s position to designated officials, as necessary. (T-1).

1.10.4. Inform Air Force management within their chain of command about audit status, results, and execution issues. (T-2).

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

1.10.6. 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-1).

1.10.7. Ensure corrective actions are implemented by agreed-upon completion dates. (T-2).

1.10.8. Provide the Air Force Audit Liaison and Follow-up Official or the designated representative with support for implemented corrective actions and benefits realized. (T-1).

1.11. Air Force Installation and Mission Support Center (AFIMSC).

1.11.1. Serves as intermediate-level point of contact, referred to as the audit focal point, and tracks related suspenses for external audit services involving MAJCOMs and subordinate units.
1.11.2. Processes audit related correspondence between MAJCOMs and subordinate units, the Audit Liaison and Follow-up Official, and external audit organizations, with the exception of the Air National Guard and Air Force Reserve. (T-2).

1.11.3. Coordinates with Headquarters Air Force organizations; MAJCOMs; office of primary and collateral responsibility; the Audit Liaison and Follow-up Official; installation, wing, and tenant organization focal points; and external audit organizations to resolve disagreements over audit reports. (T-2).

1.12. **Air Force Services Activity (AFSVA)**

1.12.1. Manages the public accountant contract audit program for nonappropriated fund activities, to include preparing an annual audit plan and developing statements of work for audits based on the annual audit plan. (T-2).

1.12.2. Identifies financial requirements and funding sources for nonappropriated fund audits. (T-2).

1.12.3. Ensures management officials provide access to the information and resources necessary to accomplish public accountant audits for nonappropriated fund activities. (T-1).

1.12.4. Notifies the servicing Air Force Office of Special Investigations unit about suspected fraud. (T-2).

1.12.5. Analyzes public accounting firm audit reports and prepares advisory or trend reports to assist management officials with improving internal controls, operations, and financial reporting.

1.13. **Air Force Services Audit Committee**. Provides oversight for nonappropriated fund audits by external organizations.
Chapter 2

ACCESS TO INFORMATION

2.1. Overview. Auditors are granted access to information in accordance with DoD Instruction 7600.02, Audit Policies.

2.2. Access. Air Force personnel will grant auditors possessing the necessary security clearances with full and unrestricted access to all resources necessary to execute services. (T-0). Air Force personnel will coordinate with the external audit organization and the Air Force Audit Liaison and Follow-up Official to provide access to source documents and to negotiate requests for special information that require considerable resources to develop and prepare. (T-0).

2.3. Air Force Information. Air Force personnel should honor oral requests for Air Force information if the service was properly announced in accordance with paragraph 3.3. – paragraph 3.3.4.2. of this instruction. Management officials may request the external audit organizations clarify the nature of requested information in writing.

2.4. Non-Air Force Information. External audit personnel should request information directly from other DoD and non-DoD entities in accordance with DoD Instruction 7650.01, Government Accountability Office and Comptroller General Requests for Access to Records and DoD Instruction 7050.03, Office of the Inspector General of the Department of Defense Access to Records and Information.

2.5. Classified and Sensitive Information. Air Force personnel must confirm auditors’ clearances prior to releasing classified or sensitive information. (T-1). The offices of primary and collateral responsibility and action officers will verify reports containing classified, For Official Use Only, and/or personally identifiable information are classified and marked in accordance with DoD Manual 5200.01, DoD Information Security Program, and other related guidance prior to release. (T-0). Additional information for report classification reviews is outlined in Chapter 4.

2.6. Unofficial Information. Air Force personnel will clearly mark unofficial information with applicable designations (i.e., draft, working paper, or predecisional) prior to release. (T-1).

2.7. Special Category Information. The offices of primary and collateral responsibility and action officers will make internal audit reports available to GAO audit personnel according to special provisions outlined in DoD Instruction 7650.01. (T-0).

2.7.1. Action officers and the offices of primary and collateral responsibility will coordinate, review, and obtain approval from the following organizations prior to releasing previous reports and associated documentation. (T-0).

2.7.1.1. The Inspector General of the Air Force for releasing Air Force Inspector General Reports of Administrative Inquiry and Investigations. Air Force personnel may provide visual access to inspection reports, but GAO personnel should submit a written request to the Inspector General of the Air Force for physical release. (T-0).

2.7.1.2. The Convening Authority for documentation related to separate accident investigations of aircraft and missile actions. (T-1).
2.7.1.3. The **Head of the Originating Office** for security forces and Air Force Office of Special Investigations reports. *(T-2)*. In addition, the offices of primary and collateral responsibility and action officers should obtain approval from the organization that directed a management study or survey before providing the report to external audit personnel.

2.7.1.4. The **Final Receiving Authority** for developmental and operational test and evaluations reports. *(T-2)*. Air Force personnel may release interim reports if the external audit organization is notified that results are preliminary in nature and may be subject to change.

2.7.2. The offices of primary and collateral responsibility and action officers will refer external audit personnel requests for internal audit reports, future year defense program or program budget decisions, operational plans or support plans involving joint services, technical development plans, and operational plans and future military operations in accordance with DoD Instruction 7650.01. *(T-0)*.

2.7.3. Air Force personnel should furnish foreign intelligence and counterintelligence information to GAO representatives having a legitimate need to know in accordance with DoD Instruction 7650.01.


2.8.1. AFAA will receive an external peer review from DoD OIG or an external audit organization, such as the Naval Audit Service or Army Audit Agency, at least once every 3 years. *(T-0)*.

2.8.2. AFAA personnel may conduct an external peer review of a designated DoD audit organization, if requested by DoD OIG.

2.8.3. AFAA personnel will provide external audit organizations with access to working papers and associated documents to determine if internal audit services comply with professional standards.

**2.9. Access Resolution.** Air Force management will take action to resolve access to information disagreements with external audit organizations in accordance with DoD Instruction 7650.01 and DoD Instruction 7050.03. *(T-0)*

2.9.1. The offices of primary and collateral responsibility and action officers should attempt to resolve access disagreements at the lowest level. If unable to resolve the disagreement, Air Force management should elevate the issue to the next command level authority until resolved.

2.9.1.1. The offices of primary and collateral responsibility and action officers should coordinate resolution efforts involving MAJCOM and installation organizations with the Air Force Installation and Mission Support Center.

2.9.1.2. If still unresolved at the Air Force level, the offices of primary and collateral responsibility will forward the request and a summary of management’s position to SAF/AG within 5 workdays from the time the external auditor requested access. *(T-1)*.
2.9.2. SAF/AG will 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 will attempt to resolve the disagreement. If unable to resolve the disagreement, SAF/AG will forward the request, along with management’s position, to the Secretary of the Air Force for decision within 10 workdays from the initial access request.

2.10. Decision Authority. The Secretary of the Air Force should review access denial issues within 10 workdays from receipt. If the Air Force is unable to resolve the disagreement, SAF/AG should submit denial of access information to the Office of Management and Budget for GAO audit personnel requests and the Secretary of Defense for DoD OIG and other external audit organization requests. 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 DoD OIG within 15 workdays of the final denial decision.
Chapter 3

AUDIT RELATED SERVICES

3.1. Overview. External audit organizations conduct surveys, reviews, audits, follow-up reviews, external peer reviews, and other audit related services to evaluate the economy, efficiency and effectiveness of programs, activities, and financial operations in the Federal Government.

3.2. Air Force Audit Liaison and Follow-up Official. External audit organizations should process notifications and documents, including audit announcements, draft reports, management comment requests, final reports, and follow-up requests through the Air Force Audit Liaison and Follow-up Official. If external audit personnel contact an Air Force organization without proper notification, the offices of primary and collateral responsibility should notify the AFAA Operations Directorate, through their chain of command, to obtain guidance before communicating with the external audit organization.

3.3. Announcement. External audit organizations should provide Air Force personnel with written notification of survey, review, audit, follow-up review, or other related services.

3.3.1. GAO issues announcements to the WHS and sends notifications to DoD OIG. DoD OIG identifies applicable organizations with governance or operational responsibility in the subject area and sends the announcement to the Air Force Audit Liaison and Follow-up Official.

3.3.2. WHS issues a tasking memorandum assigning responsibility for GAO services and identifies the Office of the Secretary of Defense primary action office and point of contact. The memorandum may identify collateral action offices, if known.

3.3.3. AFAA Operations Directorate personnel will distribute announcements to Air Force inspections personnel management with governance or operational responsibility in the subject area. (T-1). In addition, AFAA Operations Directorate personnel will request the offices of primary or collateral responsibility provide an action officer for each project. (T-1).

3.3.4. Headquarters Air Force, MAJCOM, field operating agencies, direct reporting units, installation, wing, and tenant organizations will assign offices of primary and collateral responsibility, based on functional areas of responsibility, and distribute announcements to respective offices and other relevant organizations. (T-1).

3.3.4.1. AFAA Operations Directorate and MAJCOM personnel should coordinate announcements and reports involving MAJCOM organizations with the Air Force Installation and Mission Support Center.

3.3.4.2. The offices of primary and collateral responsibility should provide AFAA Operations Directorate personnel with action officer contact information within established suspense dates and update contact information, as necessary.

3.4. Site Visits. External audit organizations should provide the Air Force point of contact written notice of planned site visits to Air Force installations and organizations. Notification may be verbal for services requiring limited work or unusual urgency. Written notification
should be provided thereafter. In addition, external audit organizations should provide the point of contact for each location with security clearance information of each individual involved in the site visit.

3.4.1. Air Force personnel will notify the AFAA Operations Directorate, through their chain of command, audit focal point, MAJCOM, Air Force Installation and Mission Support Center and Air National Guard point of contact, as applicable, if audit personnel arrive without advanced notice. (T-2). In addition, action officers should forward a copy of notifications sent directly to the site location to the AFAA Operations Directorate and their respective chain of command.

3.4.2. National Guard Bureau personnel will notify affected State Adjutants Generals, United States Property and Fiscal Officers, and unit commanders about scheduled visit dates and project objectives. (T-2)

3.5. Communication

3.5.1. External audit personnel should provide an entrance conference upon site visit arrival to inform Air Force management about the nature and objectives of the project. In addition, audit personnel should offer an exit conference at the conclusion of the site visit or service to discuss preliminary results. Air Force management, particularly assigned action officers, will participate in entrance and exit conferences. (T-2).

3.5.2. External audit personnel may provide periodic status briefings to discuss progress, objectives adjustments, and potential findings.

3.5.3. Air Force action officers should coordinate with the Office of the Secretary of Defense primary action officer and external audit personnel, as required, to inform Air Force and DoD management about project status.

3.6. External Auditor Support. Under generally accepted government auditing standards, external auditors may use work by internal auditors to streamline execution for external audit or attestations. SAF/AG or a designated representative will approve using AFAA resources to support external audits or attestations. In these circumstances, AFAA personnel will:

3.6.1. Coordinate with external auditors to identify specific workload required for announced external audits or attestations. In addition, external auditors may request qualification information to demonstrate AFAA competence and objectivity. AFAA personnel will provide external auditors with qualification information by established suspense dates. (T1).

3.6.2. Coordinate with Headquarters Air Force, MAJCOM, field operating agencies, direct reporting units, installations, wings, and tenant organizations to execute specified workload in accordance with generally accepted government auditing standards. (T-1)

3.6.3. Submit results and evidence to external audit organizations. AFAA personnel will apply necessary quality control measures to ensure data submitted complies with professional standards. (T-1).
Chapter 4

REPORTING

4.1. Overview. External audit organizations may issue an audit report or other documentation to disclose findings, estimated benefits, and recommendations.

4.2. Draft Reports.

4.2.1. External audit personnel may discuss preliminary findings and recommendations with Air Force management. Management will validate data and resolve potential conflicts or errors before report release. (T-2). During validation, Air Force personnel should confirm computation methods and appropriations information used to estimate potential monetary benefits.

4.2.2. External audit organizations may provide a written draft report reflecting preliminary findings, recommendations, and potential monetary benefits. Draft reports provided by GAO are processed through WHS for distribution and DoD OIG sends the draft report to the Air Force Audit Liaison and Follow-up Official for distribution.

4.3. Management Comments. Air Force management will respond in writing to external audit reports and indicate whether they agree or disagree with each finding, recommendation, and potential monetary benefit cited. (T-1). In addition, management will include a description of completed and planned corrective actions and list the actual or estimated completion date for each corrective action. (T-1). Further, management will outline the rationale for any disagreements in the written comments and provide evidence to support alternative potential monetary benefit calculations, if applicable. (T-1).

4.3.1. Draft Report Comments.

4.3.1.1. Primary action officers will provide comments on GAO draft reports within 30 days of issuance in accordance with Office of Management and Budget Circular A-50, Audit Follow-up. (T-0). Primary action officers must request an extension from GAO if unable to provide comments within required suspense. (T-0).

4.3.1.2. Generally, DoD OIG requests comments within 30 days of the draft report release date, however, DoD OIG may reduce the response period. Air Force management will submit official comments to DoD OIG report within established suspense dates. (T-0). If there are no recommendations to Air Force management, comments may not be required.

4.3.1.3. Action officers should provide comments to draft reports from independent public accounting firms by established suspense dates.

4.3.2. Comment Input.

4.3.2.1. MAJCOM, field operating agency, and direct reporting unit personnel should provide management comment inputs on external audit reports to the Headquarters Air Force point of contact. Personnel should coordinate comments involving MAJCOM organizations with the Air Force Installation and Mission Support Center.

4.3.2.2. The Headquarters Air Force principle, deputy, executive director, or equivalent responsible for governance over the subject area should approve comment input. The
MAJCOM commander, deputy, executive director, director of staff, or equivalent with oversight responsibility in the subject area will approve MAJCOM related comment input before submission to the Air Force Audit Liaison and Follow-up Official or DoD action officers. (T-1).

4.3.2.3. External audit organizations should incorporate management’s official comments in the final report. If the Office of Secretary of Defense is the primary action officer, DoD personnel prepare, coordinate, and obtain approval on official comments before submission to the external audit organization. Because the primary action officer decides which comments to include in the official comment submission, the final report may not explicitly identify Air Force input.

4.3.3. Final Report Comments.

4.3.3.1. GAO submits final reports to the Congress, or the head of an agency. As a result, GAO requires the DoD agency head with responsibility for the audit subject area to respond to the final audit report within 60 days of issuance.

4.3.3.2. Air Force management will provide comments on a DoD OIG final report within established suspense dates if a draft report was not issued; management disagrees with report findings, recommendations, or potential monetary benefits; or the final report contains new or changed recommendations. (T-0).

4.4. Classification Reviews.

4.4.1. The offices of primary and collateral responsibility and action officers will verify internal reports containing classified, For Official Use Only, and personally identifiable information are classified and marked in accordance with DoD Manual 5200.01 and other related guidance. (T 2) Personnel may utilize local security managers, program security officers, or the original classification authority for further clarification or additional guidance. Management officials in the office of primary responsibility should provide a response to classification review requests by the established suspense date.

4.4.2. The offices of primary and collateral responsibility should process GAO requests for security or mandatory declassification reviews through WHS in accordance with DoD Instruction 7650.02, Government Accountability Office (GAO) Reviews and Reports.

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

4.5.1. The offices of primary and collateral responsibility should notify the Headquarters Air Force organization with functional responsibility immediately if they plan to disagree with findings, recommendations, or potential monetary benefits cited in an audit report.

4.5.1.1. Offices of primary or collateral responsibility personnel will explain their position in management comments. (T-1).

4.5.1.2. Air Force management and external audit personnel should attempt to resolve disagreements at the lowest possible level. The offices of primary and collateral responsibility and action officer will coordinate disagreements with the Headquarters Air Force, AFAA MAJCOM representative, Air Force Installation and Mission Support Center, Air National Guard, or Air Force Reserve representative, as applicable. (T-2). If
unable to resolve the disagreement, Air Force personnel will coordinate the issue through their chain of command to SAF/AG or the designated liaison official. (T-1).

4.5.1.3. If the disagreement involves an Air National Guard activity, SAF/AG or the designated liaison official will forward the final report containing the unresolved disagreement to the National Guard Bureau, Financial Management, representative. (T-2)

4.5.1.4. If the disagreement involves a nonappropriated fund activity, SAF/AG or the designated liaison official will coordinate with the Air Force Services Activity, Air Force Installation and Mission Support Center, and Air Force Services Audit Committee to resolve the issue. (T-2)

4.5.1.5. If the issue involves a DoD OIG project, DoD OIG should coordinate with Air Force management to resolve the issue. If unresolved, DoD OIG may request adjudication by the Deputy Secretary of Defense. If the parties resolve the disagreement, DoD OIG can prepare a decision document containing the agreement terms. The Air Force official with responsibility for the corrective action has the option to sign the decision document. The DoD OIG tracks actions resulting from the mediation process and can elect to follow-up on agreed-upon actions.

4.5.1.6. Air Force management and the Air Force Audit Liaison and Follow-up Official should document resolution efforts and retain documentation in accordance with the Air Force Records Disposition Schedule.

4.5.2. SAF/AG will report unresolved issues in accordance with Office of Management and Budget Circular A-50. The AFAA Operations Directorate will compile data and submit semiannual status reports to the DoD OIG. (T-1).
Chapter 5

POTENTIAL MONETARY AND NON-MONETARY BENEFITS

5.1. Overview. Potential benefits, both monetary and non-monetary, offer Air Force organizations and interested third parties critical insight into the impact of cited deficiencies.

5.2. Monetary Benefits. Potential monetary benefits are quantified using a reasonable estimate or a known dollar value, that the external auditor expects the DoD or Federal Government to save if management implements the audit recommendations. Monetary benefits are categorized as funds put to better use or questioned costs and may be one-time or annual. Annual benefits recur for an indefinite period of time; however, reporting may be limited. Additional information regarding benefits definitions is outlined in AFI 65-301, Internal Audit Services, and DoD Manual 7600.07.

5.2.1. External audit personnel should 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 as outlined in DoD Manual 7600.07.

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

5.3. 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.
Chapter 6

RECOMMENDATION TRACKING AND FOLLOW-UP

6.1. Overview. After an external audit organization issues a final report, Air Force personnel will implement agreed-upon recommendations to address identified findings and realize potential monetary benefits. (T-1).

6.2. Tracking Process. Air Force personnel track the completion status for audit recommendations and corrective actions. DoD Instruction 7650.03, Follow-up on Government Accountability Office, Inspector General of the Department of Defense, and Internal Audit Reports, governs tracking recommendations and potential monetary benefits cited in GAO and DoD OIG reports. Additional details on tracking financial improvement and audit remediation recommendations are referenced in paragraph 6.4.

6.2.1. AFAA Operations Directorate personnel will coordinate with assigned action officers and the offices of primary and collateral responsibility officials to track until closure, each GAO and DoD OIG recommendation and potential monetary benefit amount listed in the final report. (T-0).

6.2.2. Headquarters Air Force, MAJCOM, field operating agencies, direct reporting units, and other Air Force organizations will provide AFAA Operations Directorate personnel with action officer contact information for each recommendation listed in the external audit report. (T-2). The offices of primary and collateral responsibility should update action officer contact information, as necessary.

6.2.3. AFAA Operations Directorate personnel may contact action officers to request status updates on corrective action plans and recommendations. Action officers will provide requested information through the Headquarters Air Force or MAJCOM organization with governance or operational responsibility for the subject area by the established suspense date. (T-2).

6.2.4. AFAA Operations Directorate personnel will maintain a tracking system for audit recommendations. (T-1).

6.2.5. AFAA Operations Directorate personnel will provide Air Force leadership, management officials, and action officers with access to current recommendation status and audit report information, when requested. (T-1).

6.2.6. External audit organizations may periodically request status updates and corrective action documentation for audit recommendations and potential monetary benefits.

6.2.7. Air Force management may request an extension to the previously agreed-upon recommendation estimated completion date. The Headquarters Air Force principle, deputy, executive director, or equivalent responsible for governance over the subject area will submit extension requests to SAF/AG or a designated representative for processing. The MAJCOM commander, deputy, executive director, director of staff, or equivalent with oversight responsibility for the subject area may request an extension if the recommendation addresses action by a specific MAJCOM. AFAA Operations Directorate personnel will update tracking records and forward a memorandum to the external audit organization, if required. (T-1).
6.3. **Recommendation Closure**. AFAA Operations Directorate 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)*.

6.3.1. Air Force action officers will provide the AFAA Operations Directorate a written closure request for recommendations associated with GAO and DoD OIG reports. *(T-1)*. AFAA Operations Directorate personnel will forward closure requests and supporting documentation, if applicable, to WHS for GAO recommendations and the Office of the Assistant Inspector General for Analysis and Follow-up for DoD OIG recommendations. *(T-1)*.

6.3.2. The external audit organization will notify the Air Force Audit Liaison and Follow-up Official if a recommendation closure request is approved. AFAA Operations Directorate personnel will notify the Air Force action officer about recommendation closure disposition. *(T-1)*.

6.3.3. External audit organizations may conduct a separate review or audit to assess management actions in response to previous audit findings and recommendations.

6.4. **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.

6.4.1. 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)*.

6.4.2. Deputy Assistant Secretary for Financial Operations personnel will notify the AFAA Operations Directorate and Air Force offices of primary or collateral responsibility which external audit reports and recommendations are categorized and tracked as financial statement-impacting deficiencies.

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

6.4.4. Deputy Assistant Secretary for Financial Operations and AFAA Operations Directorate personnel should reconcile the status of external audit recommendations that impact financial statement reporting at least semi-annually.
Chapter 7

NONAPPROPRIATED FUND AUDITS

7.1. Overview . The Air Force should schedule annual financial audits of nonappropriated fund instrumentalities with annual revenues or expenses exceeding specific thresholds and for annual audits of Special Purpose Central Funds in accordance with DoD Instruction 7600.06, Audit of Nonappropriated Fund Instrumentalities and Related Activities.

7.2. Audit Coverage .

7.2.1. Nonappropriated fund instrumentalities may contract with licensed certified accounting firms to satisfy financial audit requirements.

7.2.2. The Air Force Services Activity oversees nonappropriated fund audits contracted with public accounting firms. Air Force Services Activity personnel should:

7.2.2.1. Review public accounting firm reports, advise activity commanders on preparing management comments, suggest or direct corrective actions where necessary, and monitor implementation of corrective actions.

7.2.2.2. Issue cross-feeds to installation personnel outlining internal control weaknesses, findings, and recommendations that public accounting firms identify during audits.

7.2.3. AFAA, rather than public accounting firms, should conduct nonappropriated fund audits involving potential fraud and other serious improprieties.

7.2.4. AFAA personnel should coordinate with the Air Force Services Activity and Air Force Services Audit Committee during audit planning to avoid duplication for nonappropriated fund audits conducted by independent public accounting firms and internal audit plans.

7.3. Public Accounting Firm Reports . The Public Accountant Contract Audit Program requires public accounting firms to issue a separate report for each nonappropriated fund audit. When findings and recommendations are system-wide or procedural, public accountants consolidate installation-level audit results and issue a report to the Air Force Services Activity. The Air Force Services Activity will work with the appropriate oversight board or committee to correct any deficiencies. (T-2).

7.3.1. Management Comments. Air Force management of audited activities should prepare comments for each finding and recommendation cited in nonappropriated fund audit reports and provide them to the public accounting firm within 35 calendar days (50 days for overseas) from the date Air Force management receive the draft audit report.

7.3.2. Evaluation of Management Comments. Public accounting firm personnel evaluate management comments to determine whether comments address each finding and recommendation cited in the report.

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
DoD Directive 5106.01, Inspector General of the Department of Defense (IG DoD), 20 April 2012
GAO-12-331G, Government Auditing Standards, December 2011
DoD Instruction 7600.02, Audit Policies, 15 March 2016
DoD Instruction 7650.01, Government Accountability Office (GAO) and Comptroller General Requests for Access to Records, 27 January 2009
DoD Manual 5200.01, DoD Information Security Program, 24 February 2012
DoD Manual 7600.07, DoD Audit Manual, 3 August 2015
Office of Management and Budget Circular A-50, Audit Follow-up, 29 September 1982
DoD Instruction 7650.02, Government Accountability Office (GAO) Reviews and Reports, 20 November 2006
Air Force Instruction 65-301, Internal Audit Services, 4 June 2014
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
DoD Instruction 7600.06, Audit of Nonappropriated Fund Instrumentalities (NAFI) and Related Activities, 5 November 2012

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

Abbreviations and Acronyms
AFAA—Air Force Audit Agency
DoD—Department of Defense
DoD OIG—Department of Defense Office of the Inspector General
GAO—Government Accountability Office
MAJCOM—Major Command
SAF/AG—Auditor General of the Air Force
WHS—Washington Headquarters Service

**Terms**

**Air Force Management** — The commander, principle, deputy, executive director, or equivalent responsible for governance of the audited entity. The management level may vary based on whether audit announcement is issued to Headquarters Air Force, MAJCOM, field operating agency, direct reporting unit, installation, or wing.

**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.