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INTERNAL AUDIT SERVICES

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This publication implements Air Force Policy Directive 65-3, *Audit Services*. It provides guidance on the use of internal audits and other related services to improve programs; make financial reporting more accurate; and ensure public resources are used legally, efficiently, and effectively throughout the Department of the Air Force (DAF). This publication also provides guidance on follow-up policies and responsibilities for monitoring and closing findings and recommendations in internal reports. This publication applies to all civilian employees and uniformed members of the Regular Air Force, the Air Force Reserve, the Air National Guard, and the United States Space Force. This publication may be supplemented at any level, but all supplements that directly implement this publication must be routed to the office of primary responsibility (OPR) for coordination prior to certification and approval. Refer recommended changes and questions about this publication to the OPR using DAF Form 847, *Recommendation for Change of Publication*; route DAF Forms 847 from the field through the appropriate functional chain of command. The authorities to waive wing, unit or delta level requirements in this publication are identified with a Tier (“T-0, T-1, T-2, T-3”) number following the compliance statement. See Department of the Air Force Manual 90-161, *Publishing Processes and Procedures*, 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 publication OPR for non-tiered compliance items. Ensure all records generated as a result of processes prescribed in this publication adhere to Air Force Instruction 33-322, *Records Management and Information Governance Program*, and are disposed in accordance with the Air Force Records Disposition Schedule, which is located in the Air Force Records Information Management System.

SUMMARY OF CHANGES

This publication has been revised to account for the establishment of the United States Space Force within the Department of the Air Force, update references to Department of Defense and Department of Air Force policies, and effect other administrative changes. It was revised remove the reference to financial audits, since these are performed by DoDIG or independent external auditors.

Chapter 1

ROLES AND RESPONSIBILITIES

1.1 Overview. The Air Force Audit Agency (AFAA), under the direction of the Auditor General, 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 Department of the Air Force (DAF). Auditors must obtain, review and evaluate information to conduct audits. The Department of Defense Office of the Deputy Inspector General (DoD OIG) for Auditing establishes procedures to coordinate audit services and for access to information between AFAA and non-DAF 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-DAF organizations.

1.2. Secretary of the Air Force. Ensures management of the audit organization complies with Government Accountability Office (GAO) 21-368G, *Government Auditing Standards*, and DoD Manual (DoDM) 7600.07, *DoD Audit Manual*. The Secretary of the Air Force serves as the final decision authority for disagreements between AFAA and DAF organizations involving access to DAF information and reports.

1.3. Auditor General (SAF/AG).

1.3.1. Directs and manages all internal audit functions, activities, services, and operations within the DAF, 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 use of AFAA resources to support external audit, attestation, and nonaudit services.

1.3.4. Serves as the DAF Audit Liaison and Follow-up Official and oversees the follow-up program for all audit recommendations and potential monetary benefits cited in reports.

1.3.5. Monitors and reports the status of the DAF audit follow-up program to the Secretary of the Air Force and DAF management.

1.3.6. Establishes guidance, procedures, and systems to implement the audit liaison and follow-up program and may delegate administrative processing for the audit liaison and follow-up program to the AFAA.

1.3.7. Provides oversight for disagreements over access to information and reports if AFAA and DAF organizations are unable to resolve at lower management levels.

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

1.3.9. Approves management comment extension requests for enterprise-level 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 (AAGs) 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 directorates.

1.4.1.3. Issue results of services provided to DAF management officials. AAGs and directors may delegate responsibility to designated representatives within their directorates.

1.4.1.4. Provide oversight for disagreements over access to information and reports when AFAA and DAF management are unable to resolve at lower management levels. AAG and directors elevate unresolved disagreements to SAF/AG.

1.4.2. Audit Personnel.

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

1.4.2.2. Perform audit services for all DAF organizational components, operational levels, and their assigned personnel, including the Air National Guard (ANG) and Air Force Reserve (AFR).

1.4.2.3. Conduct data collection and testing to support external audit and attestation services.

1.4.2.4. Perform administrative audit liaison and follow-up program duties on behalf of SAF/AG.

1.4.2.5. Coordinate with the offices of primary and collateral responsibility to identify an action officer for each report recommendation.

1.4.2.6. Evaluate management comments to determine if management agreed with conditions, recommendations and potential monetary benefits.

1.4.2.7. Coordinate with the OPR to resolve disagreements over access to information and reports.

1.4.2.8. Prepare documentation, on behalf of SAF/AG, to submit unresolved disagreements over access to information and reports to the Secretary of the Air Force.

1.4.2.9. Monitor, track, and report the status of management's corrective actions for audit findings, recommendations, and potential monetary benefits.

1.4.2.10. Coordinate with Deputy Assistant Secretary for Financial Operations personnel to identify and process reports and recommendations involving DAF financial improvement, audit remediation, financial statement-related deficiencies, and potential material weaknesses.

1.4.2.11. Provide input for DoD OIG Semiannual Report to the Congress.

1.5. Assistant Secretary of the Air Force, Financial Management and Comptroller (SAF/FM).

1.5.1. Presents potential material weaknesses to the Senior Management Council, who has governance and decision authority on categorizing material weaknesses.

1.5.2. Deputy Assistant Secretary for Financial Operations (SAF/FMF).

1.5.2.1. Advises SAF/FM on all matters relating to financial improvement and audit remediation. SAF/FMF should:

1.5.2.2. Manages DAF financial improvement and audit remediation efforts.

1.5.2.3. Provides management oversight on the coordination of DAF activities and overall efforts to ensure systems and processes support the sustainment of auditable financial statements.

1.5.2.4. Develops processes to manage, track, and report deficiencies that impact DAF financial statements, related corrective action plans, and remediation progress made across the DAF.

1.6. Headquarters of the Department of the Air Force (HAF), Major Command (MAJCOM), Field Command (FLDCOM), Field Operating Agency (FOA), Direct Reporting Unit (DRU), and their subordinate organizations.

1.6.1. Provide access to information and resources necessary to perform the audit service to auditors possessing the necessary security clearances.

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

1.6.3. Confirm accuracy, validity and completeness of audit results with audit personnel.

1.6.4. Submit management response for each draft report.

1.6.5. Resolve or elevate disagreements over reports by established suspense dates.

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

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

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.

1.7.2. Resolves or elevates disagreements over access to information and reports and communicates management's position to designated officials, as necessary.

1.7.3. Drafts and submits management's response to reports by the established suspense date.

1.7.4. Assigns an action officer to each report recommendation to monitor and report status for agreed-upon corrective actions.

1.7.5. Maintains documentation to support corrective action implementation.

1.8. Action Officers.

1.8.1. Participate in entrance and exit conferences.

1.8.2. Coordinate with audit personnel during service execution, results validation, and report processing to verify results accuracy.

1.8.3. Resolve or elevate disagreements over access to information and reports and communicate management's position to designated officials, as necessary.

1.8.4. Inform DAF management within their chain of command about service status, results, and execution issues.

1.8.5. Provide input for management comments to draft reports.

1.8.6. Monitor and report the status of agreed-upon corrective actions to the DAF Audit Liaison and Follow-up Official or the designated representative.

1.8.7. Ensure corrective actions are implemented by agreed-upon completion dates.

1.8.8. Provide the DAF Audit Liaison and Follow-up Official or the designated representative with support for implemented corrective actions and monetary benefits realized.

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

1.9.1. Serves as intermediate-level point of contact, referred to as the audit focal point, and tracks related suspenses for enterprise-level audit services involving regular component installations, MAJCOMs, FLDCOMs and their subordinate units.

1.9.2. Processes MAJCOM and FLDCOM-level correspondence between AFAA and DAF personnel, with the exception of the ANG and AFR.

1.9.3. Coordinates with AFAA personnel and the OPR to resolve disagreements over reports.

1.10. Air Force Reserve Command Audit Focal Point (AFRC/FMFO). Serves as the Audit Liaison for all audits involving the AFR.

1.11. National Guard Bureau Internal Review (NG-IR). Serves as the Audit Liaison for all audits involving the ANG.

Chapter 2

INTERNAL AUDIT SERVICES

2.1. Service Types. AFAA performs services in accordance with DoDM 7600.07 and GAO-21-368G. **(T-0)** Audit personnel will use professional judgment, reasonable care, and professional skepticism when performing audit services. These standards outline the framework for conducting audits with competence, integrity, objectivity and independence. Services, including performance audits, attestations, and nonaudit services, assist DAF 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 using available resources.

2.1.2. Attestations. An attestation is an examination, review, or an agreed-upon procedures engagement performed on a subject matter or an assertion from another responsible party. AFAA personnel will select the attestation type based on the level of assurance and project scope required, and issue written results to management.

2.1.2.1. 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.

2.1.2.2. 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 assertion or subject area to comply with established criteria.

2.1.2.3. Agreed-Upon Procedures. Audit personnel perform specific procedures on a subject matter. During an agreed-upon procedures engagement, DAF management and audit personnel must agree to specific procedures performed and the requesting organization takes responsibility for sufficiency of procedures in accordance with GAO-21-368G. **(T-0)** AFAA reports procedures and findings without providing an opinion or conclusion.

2.1.3. Nonaudit Services. Nonaudit services are considered professional services other than audits or attestations.

2.1.3.1. AFAA may perform nonaudit services if the requested service complies with provisions outlined in GAO-21-368G and DoDM 7600.07. **(T-0)** Audit personnel are prohibited from accepting requests associated with specific management responsibilities. Before accepting a nonaudit service request, audit personnel will determine and document whether the service would create a threat to independence, either by itself or in aggregate, with other services provided.

2.1.3.2. When performing nonaudit services, audit personnel will notify the requestor and those charged with governance that the work performed does not constitute an audit.

2.1.3.3. DAF management will agree to assume responsibility for requested work, designate a point of contact who possesses knowledge, skills, and experience necessary to

oversee the service, and agree to evaluate the adequacy and results of the work performed, in accordance with DoDM 7600.07. (T-0)

2.2. Service Levels. AFAA offers services at the enterprise and installation-levels. Audits and attestations may be directed by an AFAA Directorate or locally managed by an Area Audit Office. Enterprise-level services address HAF, MAJCOM or FLDCOM-level programs and activities. Installation-level services provide support for installation, wing, delta and tenant organizations.

2.3. Nonappropriated Fund Audits. DAF personnel will comply with DoD Instruction (DoDI) 7600.06, *Audit of Nonappropriated Fund Instrumentalities and Related Activities* and Air Force Instruction (AFI) 65-107, *Nonappropriated Funds Financial Management Oversight Responsibilities*, when conducting audits and other related activities of nonappropriated fund instrumentalities. (T-0)

2.4. Private Organizations. The DAF 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 DAF 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 Organizations 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 personnel may conduct data collection and testing for external audit organizations. Additional information on external auditor support is outlined in DAF Instruction (DAFI) 65-302, *External Audit Services*.

Chapter 3

ACCESS TO INFORMATION

3.1 Access. DAF personnel will grant auditors possessing the necessary security clearances with full and unrestricted access to all resources necessary to execute audits in accordance with DoDI 7600.02, *Audit Policies*. **(T-0)** Audit personnel executing audit services involving classified data must familiarize themselves and comply with DoDM 5200.01 Volume 1, *Information Security Program: Overview Classification and Declassification*. Audit personnel executing audit services involving Controlled Unclassified Information (CUI) must comply with DoDI 5200.48_DAFI16-1403, *Controlled Unclassified Information (CUI)*.

3.2. Access Resolution.

3.2.1. If management initially denies access to resources for audits, audit personnel will attempt to resolve the disagreement with management officials and the audit focal point. If unable to resolve the disagreement, audit personnel should send a written notice to AFIMSC, ANG, or AFR, as applicable. If the disagreement remains unresolved, audit personnel will forward the request and a summary of management's position to the AFAA Operations Directorate (AFAA/DO) within 5 workdays from the initial access request.

3.2.2. AFAA/DO will refer unresolved access disagreements to the HAF OPR for review and resolution. The HAF OPR should attempt to resolve the disagreement with designated audit personnel. If unable to resolve the disagreement with the OPR, AFAA/DO will forward the AFAA, MAJCOM/FLDCOM, and HAF positions to SAF/AG within 10 workdays from the initial access request. SAF/AG will submit denial of access information to the Secretary of the Air Force within 15 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 DoDI 7600.02.

3.4. Non-DAF Entity Information. Audit personnel will coordinate with AFAA/DO to request access to information originating from a non-DAF entity. If the originating entity denies access to resources necessary for internal audits, AFAA/DO personnel will process disagreements through SAF/AG to the Secretary of the Air Force. If unable to resolve, the Secretary of the Air Force will submit the denial information to the Secretary of Defense in accordance with DoDI 7600.02. **(T-0)** In accordance with DoDI 7600.02, the Secretary of Defense will decide denial issues within 30 workdays from the time the auditor requested access and notify the DoD OIG within 15 workdays of the final denial decision. **(T-0)**

Chapter 4

AUDIT PLAN

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

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

4.2.1. Plan Topics. Audit personnel derive 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 DAF senior leader requests, commander requests, joint planning group focus areas, and communication with other Services' audit organizations and the DoD OIG. Audit personnel conduct research on proposed plan topics, including data analysis and coordination with HAF, MAJCOM/FLDCOM, FOA, DRU, and their subordinate organizations.

4.2.2. Requests. SAF/AG or a designated representative will request audit topics for DAF enterprise and installation-level audits at least annually. DAF 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 DoDM 7600.07, AFAA personnel will coordinate with internal and external audit, inspection, investigative, and joint planning group organizations to ensure sufficiency of audit coverage and avoid duplication. **(T-0)**

4.4. Enterprise-Level Plan Development. AFAA/DO personnel will forward topics received from the audit topic request to the applicable audit directorate. AFAA directorate personnel will collaborate with DAF management to develop topics and the enterprise-level audit plan. DAF 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. AFAA/DO personnel will submit a consolidated, prioritized audit topic list for SAF/AG review and approval.

4.4.2. SAF/AG will approve the final enterprise-level audit plan.

4.4.3. AFAA directorate personnel will notify DAF management whether submitted topics requests were included in the audit plan.

4.4.4. AFAA/DO personnel will publish the enterprise-level audit plan.

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. DAF 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 will reconcile proposed installation-level audit plans with the enterprise-level audit plan to prevent duplication of effort. Personnel will submit a prioritized audit plan through their chain of command to the AAG, Field Activities Directorate.

4.5.2. Area Audit Office personnel will notify DAF management whether submitted topic requests were included in the audit plan and publish the audit plan.

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

4.6.1. Audit personnel will review audit plan execution quarterly and update DAF management with oversight responsibility for the planned topics on plan adjustments.

4.6.2. DAF management may request audit services at any time during the fiscal year. Audit personnel will evaluate requested topics, based on risk and available audit resources.

Chapter 5

AUDIT PROCESS

5.1 Audit Phases. Each performance audit consists of four phases: planning, fieldwork, reporting, and recommendation follow-up. 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, audit personnel will validate results with management officials. 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 in accordance with DoDM 7600.07. **(T-0)** The reporting phase concludes with the issuance of a final report. Audits are considered closed when the final report is issued. The recommendation follow-up phase begins at issuance of the final report and concludes when all recommendations are closed. Additional information on recommendation follow-up is outlined in [Chapter 7](#).

5.2. Announcement. Audit personnel will provide DAF organizations, applicable gatekeeper and the audit focal point/liaison with written notification of audits and other related services in accordance with DoDM 7600.07. **(T-0)** Audit personnel will 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 DAF management, audit personnel may defer the start date or select alternate locations if the audited unit is experiencing significant operational demands (e.g., deployments, exercises, or inspections) and conducting the audit would create unusual workload demands.

5.2.2. DAF management and audit personnel may schedule an entrance conference 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 in accordance with GAO-21-368G. **(T-0)**

5.4. Cancelled Audits. AFAA may cancel planned audits based on emerging issues or program changes.

5.5. Reports. Audit personnel will issue reports outlining results, including findings, conclusions, management corrective actions, and recommendations, as appropriate, in accordance with GAO-21-368G. **(T-0)**

5.5.1. Report requirements vary based on the service type. Audit personnel will use a report format appropriate for the intended disclosure. User needs may influence the report format. Report formats include written reports, results memos, 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.

5.5.3. DAF management is encouraged to correct deficiencies during the audit process. If management completes corrective action during the audit, management officials should provide audit personnel with documentation to support action taken. Before issuance of the draft report, audit personnel will evaluate corrective action support and recognize management's action in the report.

5.6. Report Classification and Markings.

5.6.1. The OPR, action officers, and AFAA personnel will verify reports containing classified, controlled unclassified, and personally identifiable information are classified and marked in accordance with DoDM 5200.01, *DoD Information Security Program*, DoDI 5200.48, *Controlled Unclassified Information (CUI)*, pertinent Security Classification Guides, 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 OPR for all draft reports involving the review of classified or operational readiness information. Management officials in the OPR 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 offices of primary and collateral responsibility.

5.7.1. The offices of primary and collateral responsibility and action officers should validate audit results. During validation, DAF personnel should also confirm computation methods and appropriations information used to estimate potential monetary benefits.

5.7.2. DAF management may forward the draft report to additional DAF stakeholders, as necessary; however, management must obtain SAF/AG or AAG approval before releasing report content outside of the DAF.

5.8. Management Comments. DAF management will respond in writing to all draft audit reports in accordance with OMB Circular A-50. **(T-0)**

5.8.1. 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.

5.8.1.1. The OPR will indicate whether they agree, agree with intent, or disagree with each finding, recommendation, and potential monetary benefit cited in the report in accordance with DoDM 7600.07. **(T-0)** If management agrees with the finding and the need to take action, but disagrees with the recommendation cited in the report, management may indicate they agree with intent and propose an alternative action to correct the reported deficiency. The OPR should carefully articulate management's position to prevent audit personnel from interpreting comments as a disagreement. Further, OPR will outline the rationale for any disagreements in the written comments and provide evidence to support alternative potential monetary benefit calculations, if applicable in accordance with DoDM 7600.07. **(T-0)**

5.8.1.2. Management comments should include a description of completed and planned corrective actions and list the actual or estimated completion date for each corrective

action. For all completed actions, provide applicable supporting documentation related to the completion of the action.

5.8.2. DAF management should submit written comments on reports with recommendations or potential monetary benefits within 30 days of draft report issuance. Audit personnel 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.

5.8.3. The HAF principal, deputy, executive director, or equivalent with oversight responsibility over the subject area will approve and sign comments for enterprise-level reports addressed to a HAF OPR. The MAJCOM/FLDCOM commander, deputy, executive director, director of staff or equivalent with oversight responsibility over the subject area will approve and sign comments for enterprise-level reports addressed to a MAJCOM/FLDCOM OPR. The wing commander, deputy, or equivalent with oversight responsibility for program and activities involved in the project will approve and sign comments for installation-level reports.

5.8.4. Audit personnel will communicate with the OPR throughout the reporting phase to clarify report content and facilitate timely comment submission. DAF 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 5.8.3](#) will submit extension requests. SAF/AG, or a designated representative, is the approval authority for extensions on enterprise-level reports. Similarly, the Field Activities Directorate, AAG, or a designated representative, is the approval authority for comment extension requests involving installation-level reports.

5.9. Comment Evaluation. Audit personnel will evaluate management comments to determine if signed comments comply with requirements in [paragraph 5.8.1.1](#) In addition, audit personnel will determine whether comments address results presented in the report and actions taken or planned are responsive and should correct the finding.

5.9.1. If management's comments comply with all requirements, audit personnel will consider the comments as responsive and incorporate verbatim management comments, along with an audit evaluation, in the final report.

5.9.2. If management's comments do not comply with all requirements, audit personnel will consider the comments as non-responsive and coordinate with management officials to resolve issues. 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, audit personnel and DAF management will follow the disagreement resolution process outlined in [paragraph 5.12](#).

5.9.3. If management does not provide comments, audit personnel will coordinate with management officials to resolve any issues. 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 5.12](#).

5.10. Final Reports. AFAA personnel will distribute the final report to the audit focal point, the offices of primary and collateral responsibility, other DAF management with oversight responsibility, and the AFIMSC, as applicable. AFAA personnel will coordinate with the OPR and

assigned action officer to track the corrective actions for each audit recommendation. Additional information on recommendation tracking is outlined in [Chapter 7](#).

5.11. Report Availability. The final report represents a historical document available for use by internal and external organizations. Government agencies, including the DoD OIG, GAO, and Congress, have access to final reports. The public may request copies of reports under the Freedom of Information Act in accordance with DODM 5400.07_Air Force Manual (AFMAN) 33-302, *Freedom of Information Act Program*.

5.12. Disagreement Resolution. DAF management and AFAA personnel should resolve all disagreements, also referred to as nonconcurrences, on audit findings, recommendations, and potential monetary benefits within 6 months of final report issuance.

5.12.1. The OPR should notify audit personnel 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 personnel. Based on discussions with management, audit personnel may reevaluate existing or additional evidence and issue a revised draft report.

5.12.2. DAF management and audit personnel should attempt to resolve disagreements at the lowest possible level. Audit personnel will evaluate management's position at each level of the resolution process. If the disagreement remains unresolved, the audit personnel will elevate the issue to the next level of authority.

5.12.3. Audit personnel will request assistance from the Department of the Air Force Office of General Counsel if a disagreement requires legal interpretation.

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

5.12.5. Installation-Level. If DAF management and audit personnel are unable to resolve a disagreement with an installation-level report, audit personnel will coordinate with the audit focal point, AFIMSC, ANG, or AFR representative, as applicable. If the disagreement remains unresolved, audit personnel 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, for resolution.

5.12.6. Enterprise-Level. If DAF management and audit personnel are unable to resolve a disagreement with an enterprise-level report, the applicable AAG, or designated representative, will forward the report and a summary of positions to SAF/AG for resolution.

5.12.7. SAF/AG, or the designated representative, will coordinate with HAF 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 OMB Circular A-50. **(T-0)**

5.13. Unresolved Disagreements. SAF/AG will report unresolved disagreements with enterprise-level reports in accordance with OMB Circular A-50. AFAA/DO will compile data and

disclose unresolved disagreements in the semiannual status report to the DoD OIG in accordance with OMB Circular A-50. **(T-0)**

Chapter 6

POTENTIAL MONETARY AND NON-MONETARY BENEFITS

6.1 Overview. Potential benefits, both monetary and non-monetary, offer DAF organizations and interested third parties' critical insight into the impact of cited deficiencies. AFAA identifies potential benefits in accordance with GAO-21-368G and DoDM 7600.07.

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. 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 sample's universe as outlined in DoDM 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.

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. Audit personnel will:

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 AFAA/DO for review and validation. This independent review enhances consistency in accumulating, categorizing, and reporting monetary benefits.

6.4.3. Coordinate with HAF, MAJCOM, FLDCOM, or other applicable financial management personnel to validate computation methods and confirm funding sources and appropriations data.

6.5. Management Validation. The OPR 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 will attach a summary of audit results statement to each draft report provided to management. Audit personnel will verify the statement corresponds with benefits identified in the report and outlines benefit calculations.

6.7. Congressional Reporting. AFAA/DO will compile data and submit semiannual status reports to the DoD OIG within 30 calendar days of the two 6-month reporting periods ending 31 March and 30 September, in accordance with DoDI 7600.02. **(T-0)**

6.7.1. AFAA personnel will track benefit amounts cited in reports and include the information in DAF 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 OPR 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 DAF audit follow-up program tracks the corrective actions for audit recommendations as directed in DoDI 7650.03, *Follow-up on Inspector General of the Department of Defense (IG DoD) and Internal Audit Reports*. (T-0)

7.2. Recommendation Data. Audit Liaison and Follow-up Program personnel will coordinate with the OPR and assigned action officers to track enterprise-level recommendations from final report issuance until closure. Area Audit Office personnel will coordinate with installation-level management officials to track installation-level recommendations.

7.2.1. HAF, MAJCOM/FLDCOM, FOA, DRU, and their subordinate organizations should provide audit personnel with action officer contact information for each recommendation listed in the final report. The OPR should update action officer contact information, as necessary.

7.2.2. Audit personnel will contact DAF leadership, management officials, and action officers to request status updates on corrective action plans and recommendations. Management should provide requested information through their chain of command by the established suspense date.

7.2.3. Audit personnel will maintain a tracking system for audit recommendations.

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

7.2.3.2. AFAA will provide DAF leadership, management officials, and action officers with oversight responsibility over the subject area with access to current recommendation status and report information, when requested.

7.2.4. DAF management may request an extension to the previously agreed-upon recommendation estimated completion date. The extension request should include a revised corrective action plan, revised estimated completion dates and the rationale for the delay. The signature authority level listed in [paragraph 5.8.3](#) should submit extension requests. SAF/AG, or a designated representative, is the approval authority for extensions on enterprise-level reports. Similarly, the Field Activities Directorate, AAG, or a designated representative, is the approval authority for comment extension requests involving installation-level reports. If the extension is approved, AFAA personnel will update tracking records to the revised estimated completion date.

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

7.3.1. Prior to the estimated completion date, audit personnel may contact action officers to discuss closure procedures.

7.3.2. Action officers will provide audit personnel with a completed corrective action plan and supporting documents for actions taken for each open recommendation by the agreed-upon estimated completion date. At a minimum, the corrective action plan will outline the estimated completion date, milestones to implement planned actions and the action officer for each

milestone. In addition, action officers will provide support for monetary benefits realized. The corrective action plan should reflect the same level of signature authority required in [paragraph 5.8.3](#).

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

7.3.4. Audit personnel will review closure requests and notify the action officer of recommendation closure disposition.

7.3.5. Audit personnel may conduct a separate review or audit to evaluate the effectiveness of actions taken to implement recommendations, eliminate findings, and realize potential monetary benefits.

7.4. Financial Improvement and Audit Remediation Recommendations. SAF/FMF monitors and tracks all DAF financial improvement and audit remediation-related deficiencies.

7.4.1. Audit Liaison and Follow-up Program personnel will coordinate with SAF/FMF personnel to identify draft and final audit results and recommendations that impact financial statement reporting.

7.4.2. SAF/FMF personnel should notify the Audit Liaison and Follow-up Program personnel and DAF action officers which reports and recommendations are categorized and tracked as financial statement-impacting deficiencies.

7.4.3. Action officers should provide SAF/FMF with corrective action plans and monthly status updates for each internal audit recommendation identified and tracked as a financial statement-impacting deficiency.

7.4.4. SAF/FMF and Audit Liaison and Follow-up Program personnel should reconcile the status of internal audit results and recommendations that impact financial statement reporting at least semi-annually.

7.5. Potential Material Weakness Reporting. An internal control deficiency is categorized as a control deficiency, significant deficiency, or material weaknesses, as defined by AFI 65-201, *Enterprise Risk Management and Managers' Internal Control Program Procedures*. When AFAA personnel identify a deficiency they believe may qualify as material weakness during an audit they will communicate the potential weakness to DAF management. SAF/FMF personnel should notify the Audit Liaison and Follow-up Program personnel and DAF action officers which recommendations are identified and tracked as a material weakness.

DOUGLAS M. BENNETT
Auditor General

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

DoDI 5200.48, *Controlled Unclassified Information (CUI)*, 6 March 2020

DoDI 7600.02, *Audit Policies*, 16 October 2014

DoDI 7600.06, *Audit of Nonappropriated Fund Instrumentalities and Related Activities*, 7 December 2021

DoDI 7650.03, *Follow-up on Inspector General of the Department of Defense (IG DoD) and Internal Audit Reports*, 31 January 2019

DoDM 5200.01, *DoD Information Security Program*, 24 February 2012

DoDM 7600.07, *DoD Audit Manual*, 3 August 2015

DoDM 5400.07_AFMAN 33-302, *Freedom of Information Act Program*, 27 April 2018

AFPD 65-3, *Audit Services*, 8 August 2018

DAFI 65-302, *External Audit Services*, 28 October 2022

AFI 33-322, *Records Management and Information Governance Program*, 28 July 2021

AFI 34-223, *Private Organizations (PO) Program*, 13 December 2018

AFI 65-107, *Nonappropriated Funds Financial Management Oversight Responsibilities*, 13 June 2018

AFI 65-201, *Enterprise Risk Management and Managers' Internal Control Program Procedures*, 17 September 2020

DAFMAN 90-161, *Publishing Processes and Procedures*, 15 April 2022

GAO-21-368G, *Government Auditing Standards*, April 2021

Office of Management and Budget Circular A-50, *Audit Follow-up*, 29 September 1982

Prescribed Forms

None

Adopted Forms

DAF Form 847, *Recommendation for Change of Publication*

Abbreviations and Acronyms

AAG—Assistant Auditor Generals

AFAA—Air Force Audit Agency

AFI—Air Force Instruction

AFIMSC—Air Force Installation and Mission Support Center

AFPD—Air Force Policy Directive
AFR—Air Force Reserves
ANG—Air National Guard
DAF—Department of the Air Force
DAFI—Department of the Air Force Instruction
DAFMAN—Department of the Air Force Manual
DoD—Department of Defense
DoDI—Department of Defense Instruction
DoD OIG—Department of Defense Office of the Inspector General
DoDM—Department of Defense Manual
DRU—Direct Reporting Unit
FLDCOM—Field Command
FOA—Field Operating Agency
GAO—Government Accountability Office
HAF—Headquarters of the Department of the Air Force
MAJCOM—Major Command
OMB—Office of Management and Budget
OPR—Office of Primary Responsibility

Office Symbols

AFAA/DO—Air Force Audit Agency, Operations Directorate
AFAA/DOV—Air Force Audit Agency, Policy, Oversight and Systems
AFRC/FMFO—Air Force Reserve Command Audit Focal Point
NG-IR—National Guard Bureau Internal Review
SAF/AG—Auditor General
SAF/FM—Assistant Secretary for Financial Management and Comptroller
SAF/FMF—Deputy Assistant Secretary for Financial Operations

Terms

Agree with intent—Used during management comment coordination when management agrees with the finding and the need to take action, but proposes an alternative action to correct the reported deficiency.

Attestation service—An examination, 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.

Audit Personnel—AFAA personnel who perform audit services.

Audit service—Refers to audits, attestations, nonaudit services, reviews, evaluations, analyses, investigations or other services related to a program, operation, or subject matter.

Deficiency—The design or operation of an internal control that 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.

Enterprise-level—Encompasses services (e.g., audit, nonaudit, attestation) performed at the HAF, MAJCOM, FLDCOM, DRU, or FOA levels.

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.

Headquarters of the Department of the Air Force—The executive part of the Department of the Air Force, to include the Office of the Secretary (known as the Secretariat), Air Staff, and the Office of the Chief of Space Operations (known as Space Staff).

Installation-Level—Encompasses services (e.g., audit, nonaudit, attestation) performed at a single site location, usually an installation working with a delta, wing, group, or squadron.

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

Monetary Benefits Realized—Monetary amount accrued after implementing agreed-upon corrective actions.

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

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