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SECRETARY OF THE AIR FORCE**

**DEPARTMENT OF THE AIR FORCE
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Financial Management

EXTERNAL AUDIT SERVICES

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(Mr. Douglas M. Bennett)

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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 Department of the Air Force (DAF). This publication also provides guidance on follow-up policies and responsibilities for deciding, monitoring, and closing findings and recommendations in external 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 (USSF) within the Department of the Air Force and updates references to Department of Defense and Department of Air Force policies.

Chapter 1

ROLES AND RESPONSIBILITIES

1.1. Overview. External audit organizations, including the Government Accountability Office (GAO), 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 Department of the Air Force (DAF) organizational components and operational levels and their assigned personnel, including United States Air Force (USAF), USSF, Air National Guard (ANG) and Air Force Reserve (AFR).

1.2.2. Issues written project announcements.

1.2.3. Coordinates with Washington Headquarters Services (WHS) and the DAF 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 DAF Audit Liaison and Follow-up Official, and DAF management to resolve disagreements over access to information and reports.

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

1.3. Department of Defense Office of the Inspector General (DoD OIG).

1.3.1. Plans and conducts audits of Department of Defense (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-21-368G, *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 DAF 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 of services provided.

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

1.3.7. Coordinates with the DAF Audit Liaison and Follow-up Official and DAF management to resolve disagreements over access to information and reports.

1.3.8. Requests follow-up information for corrective actions to audit recommendations and coordinates with the DAF Audit Liaison and Follow-up Official and DAF management to close recommendations.

1.4. Independent Public Accounting Firms.

1.4.1. Provide financial audit services for appropriated and nonappropriated fund activities under DAF contract. Based on the service type and DAF activity, independent public accountants:

1.4.2. Provide DAF management with written audit notifications.

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

1.4.4. Coordinate with the Deputy Assistant Secretary for Financial Operations (SAF/FMF), Air Force Services Center, the DAF Audit Liaison and Follow-up Official, and DAF management, as applicable, to execute services.

1.4.5. Issue reports to management officials to disclose results of services provided.

1.4.6. Coordinate with SAF/FMF, the DAF Audit Liaison and Follow-up Official, and DAF management, as applicable, to resolve disagreements over access to information and reports.

1.5. Auditor General (SAF/AG).

1.5.1. Serves as the DAF Audit Liaison and Follow-up Official.

1.5.2. Establishes guidance, procedures, and systems to implement the audit liaison and follow-up program.

1.5.3. May delegate administrative duties for the audit liaison and follow-up program to the Air Force Audit Agency (AFAA).

1.5.4. Acts as liaison between DAF management, external audit organizations, and WHS to execute audits, attestations, reviews, evaluations, analyses, investigations, follow-up reviews, and external peer reviews.

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

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

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

1.5.8. Approves use of AFAA resources to support external audit, attestation, and nonaudit services.

1.6. Air Force Audit Agency (AFAA).

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

1.6.2. Forwards written announcements to DAF management with governance or operational responsibility over the subject area in accordance with in accordance with Department of Defense Manual (DoDM) 7600.07, *DoD Audit Manual* and Air Force Instruction (AFI) 90-201, *The Air Force Inspection System*. (T-0)

1.6.3. Requests DAF management assign action officers and provide point of contact information for each announced project.

1.6.4. Coordinates entrance and exit conferences with DAF management and external audit organizations.

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

1.6.5.1. Coordinates with DAF management, external audit organizations, and WHS to resolve disagreements over access to information and reports. 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.

1.6.6. Coordinates with designated DoD service audit agencies, including Naval Audit Service, Army Audit Agency, and DoD OIG, during external peer reviews.

1.6.7. Monitors, tracks, and reports the status of management's corrective actions for findings, recommendations, and potential monetary benefits in accordance with Office of Management and Budget Circular (OMB) A-50, *Audit Follow-up*. (T-0)

1.6.8. Coordinates with DAF management, external audit organizations, and WHS to identify and document status of audit recommendations and potential monetary benefits.

1.6.9. Coordinates with SAF/FMF 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.

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

1.7.1. Advises the Assistant Secretary for Financial Management and Comptroller (SAF/FM) on all matters relating to financial improvement and audit remediation.

1.7.2. Manages DAF financial improvement and audit remediation efforts.

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

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

1.8. 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.

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

1.8.2. Provide auditors possessing the necessary security clearances with access to information and resources necessary to perform the service in accordance with DoD Instruction (DoDI) 7600.02, *Audit Policies*. (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 reports by established suspense dates.

1.8.5. Evaluate disagreements over access to information and reports when DAF 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 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. Office of Primary or Collateral Responsibility.

1.9.1. Coordinates with external audit personnel during service execution, results validation, and report processing to verify results accuracy.

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

1.9.3. Drafts and submits management's response to reports by established suspense dates.

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

1.9.5. Maintains documentation to support corrective action implementation.

1.10. DAF Action Officer.

1.10.1. Participates in entrance and exit conferences.

1.10.2. Coordinates with external audit personnel during service execution, results validation, and report processing to verify results accuracy.

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

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

1.10.5. Provides input for management comments to reports.

1.10.6. Monitors and reports the status of agreed-upon corrective actions to the DAF Audit Liaison and Follow-up Official or the designated representative.

1.10.7. Ensures corrective actions are implemented by agreed-upon completion dates.

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

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 Regular Component installations, MAJCOMs, FLDCOMs and their subordinate units.

1.11.2. Processes audit service-related correspondence between Regular Component installations, MAJCOMs, FLDCOMs and their subordinate units, the DAF Audit Liaison and Follow-up Official, and external audit organizations, with the exception of the ANG and AFR Commands.

1.11.3. Coordinates with DAF organizations; Regular Component installations; MAJCOMs; FLDCOMs; office of primary and collateral responsibility; the DAF Audit Liaison and Follow-up Official; installation, wing, delta and tenant organization focal points; and external audit organizations to resolve disagreements over reports.

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

1.13. National Guard Bureau Internal Review (NGB-IR). Serves as the Audit Liaison for all external audits involving the Air National Guard.

1.14. Air Force Services Center (AFSVC).

1.14.1. Manages the public accountant contract audit program for nonappropriated fund activities, to include preparing an annual audit plan to ensure adequate audit coverage and developing statements of work for audits based on the annual audit plan.

1.14.2. Identifies financial requirements and funding sources for nonappropriated fund audits.

1.14.3. Ensures management officials provide access to the information and resources necessary to accomplish public accountant audits for nonappropriated fund activities.

1.14.4. Notifies the servicing Air Force Office of Special Investigations unit about suspected fraud.

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

1.15. 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 (DoDI) 7600.02, *Audit Policies*, DoDI 7650.01, *Government Accountability Office and Comptroller General Requests for Access to Records* and DoDI 7050.03, *Office of the Inspector General of the Department of Defense Access to Records and Information*.

2.2. 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. **(T-0)** DAF personnel will coordinate with the external audit organization and the DAF Audit Liaison and Follow-up Official to provide access to source documents and to negotiate requests for information that require considerable resources to develop and prepare in accordance with DoDI 7600.02. **(T-0)**

2.3. DAF Information. DAF personnel should honor oral requests for DAF information if the audit 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-DAF Information. External audit personnel should request information directly from other DoD and non-DoD entities in accordance with DoDI 7650.01 and DoDI 7050.03.

2.5. Classified and Sensitive Information. DAF personnel must confirm auditors' clearances prior to releasing classified or sensitive information in accordance with DoDI 7600.02. **(T-0)** The offices of primary and collateral responsibility and action officers 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)*, and other related guidance prior to release. **(T-0)** Additional information for report classification reviews is outlined in [Chapter 4](#) of this instruction.

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

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

2.7.1. Action officers and the offices of primary and collateral responsibility should coordinate, review, and obtain approval from the following organizations prior to releasing previous reports and associated documentation.

2.7.1.1. The Inspector General of the Department of the Air Force for physical release of Air Force Inspector General Reports of Administrative Inquiry and Investigations in accordance with AFI 90-201. **(T-0)**. Action officers may provide visual access to inspection reports.

2.7.1.2. The Convening Authority for documentation related to separate accident investigations of aircraft, missile, spacecraft and launch vehicle actions.

2.7.1.3. The Head of the Originating Office for Security Forces and Air Force Office of Special Investigations reports. 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. DAF 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 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 DoDI 7650.01. **(T-0)**

2.7.3. DAF personnel will furnish foreign intelligence and counterintelligence information to GAO representatives having a legitimate need to know in accordance with DoDI 7650.01. **(T-0)**

2.8. External Peer Reviews. Peer review organizations determine whether an audit organization's quality control system complies with generally accepted government auditing standards, DoDM 7600.07, *DoD Audit Manual*, and the Council of the Inspectors General on Integrity and Efficiency.

2.8.1. AFAA should 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 in accordance with DoDM 7600.07.

2.8.2. AFAA personnel will conduct an external peer review of a designated DoD audit organization, if requested by DoD OIG in accordance with DoDM 7600.07. **(T-0)**.

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 in accordance with DoDM 7600.07. **(T-0)**.

2.9. Access Resolution. DAF management will take action to resolve access to information disagreements with external audit organizations in accordance with DoDI 7650.01 and DoDI 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, DAF 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 regular component installations, MAJCOM and FLDCOM organizations with the AFIMSC.

2.9.1.2. If unable to resolve the disagreement, the offices of primary and collateral responsibility should forward the request and a summary of management's position to SAF/AG within 5 workdays from the time the external auditor requested access.

2.9.2. SAF/AG should refer unresolved access disagreements to the HAF office of primary responsibility for review and resolution. The HAF office of primary responsibility should

attempt to resolve the disagreement. If unable to resolve the disagreement, SAF/AG should 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 Secretary of the Air Force is unable to resolve the disagreement, SAF/AG should submit denial of access information to DoD OIG in accordance with DoDI 7650.01 and DoDI 7050.03

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. DAF 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 DAF Audit Liaison and Follow-up Official. If external audit personnel contact a DAF organization without proper notification, the offices of primary and collateral responsibility should notify Audit Liaison and Follow-up Program personnel, through their chain of command, to obtain guidance before communicating with the external audit organization.

3.3. Announcement. External audit organizations should provide DAF personnel with written notification of surveys, reviews, audits, follow-up reviews, or other related services.

3.3.1. GAO issues announcements to the WHS. The WHS identifies applicable organizations with governance or operational responsibility over the subject area and sends the announcement to the DAF Audit Liaison and Follow-up Official.

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

3.3.3. Audit Liaison and Follow-up Program personnel will distribute announcements to applicable DAF management with governance or operational responsibility over the subject area. In addition, Audit Liaison and Follow-up Program personnel will request the offices of primary or collateral responsibility provide an action officer for each project.

3.3.4. HAF, MAJCOM, FLDCOM, FOA, DRU, and their subordinate organizations should distribute announcements to respective offices and other relevant organizations.

3.3.4.1. Audit Liaison and Follow-up Program personnel, MAJCOM and FLDCOM personnel should coordinate announcements and reports involving regular component installations, MAJCOM and FLDCOM organizations with the AFIMSC.

3.3.4.2. The offices of primary and collateral responsibility should provide Audit Liaison and Follow-up Program 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 DAF point of contact written notice of planned site visits to DAF 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. DAF personnel, through their chain of command, should notify the Audit Liaison and Follow-up Program personnel, Air Staff, Space Staff, audit focal point, MAJCOM, FLDCOM, AFIMSC, ANG, or AFR point of contact, as applicable, if external audit personnel arrive

without advanced notice. In addition, action officers should forward a copy of notifications sent directly to the site location to Audit Liaison and Follow-up Program personnel and their respective chain of command.

3.4.2. NGB-IR personnel should notify the affected State Adjutants General, United States Property and Fiscal Officers, and unit commanders about scheduled visit dates and project objectives.

3.5. Communication.

3.5.1. External audit personnel should provide an entrance conference upon site visit arrival to inform DAF management about the nature and objectives of the project. In addition, external audit personnel should offer an exit conference at the conclusion of the site visit or project to discuss preliminary results. DAF management, particularly assigned action officers, should participate in entrance and exit conferences.

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

3.5.3. DAF action officers should coordinate with the DoD primary action officer and external audit personnel, as required, to inform DAF 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 audits or attestations. SAF/AG or a designated representative will approve use of 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.

3.6.2. Coordinate with HAF, MAJCOM, FLDCOM, FOA, DRU, and their subordinate organizations to execute specified workload in accordance with generally accepted government auditing standards.

3.6.3. Submit results and evidence to external audit organizations, ensuring data submitted complies with professional standards.

Chapter 4

REPORTING

4.1. Overview. External audit organizations may issue a report or other documentation to disclose findings, potential monetary benefits, and recommendations.

4.2. Draft Reports.

4.2.1. External audit personnel may discuss preliminary findings and recommendations with DAF management. Management should validate data and resolve potential conflicts or errors before report release. During validation, DAF 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 DAF Audit Liaison and Follow-up Official for distribution.

4.3. Management Comments. DAF management will respond in writing to external reports and indicate whether they agree, agree with intent, or disagree with each finding, recommendation, and potential monetary benefit cited in accordance with OMB Circular A-50. **(T-0)**. In addition, management should include a description of completed and planned corrective actions and list the actual or estimated completion date for each corrective action. Further, management should outline the rationale for any disagreements in the written comments and provide evidence to support alternative potential monetary benefit calculations, if applicable.

4.3.1. Draft Report Comments.

4.3.1.1. DAF personnel designated as Department of Defense primary action officers will provide comments on GAO draft reports within 30 days of issuance in accordance with OMB Circular A-50. **(T-0)** DAF personnel designated as Department of Defense primary action officers must request an extension from GAO if unable to provide comments within required suspense in accordance with OMB Circular A-50. **(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. DAF management will submit official comments to DoD OIG reports within established suspense dates in accordance with DoDI 7600.02. **(T-0)** If there are no recommendations to DAF 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, FLDCOM, FOA, and DRU personnel should provide management comment inputs on external reports to the HAF point of contact. Personnel should coordinate comments involving MAJCOM or FLDCOM organizations with the AFIMSC.

4.3.2.2. The HAF principal, deputy, executive director, or equivalent responsible for governance over the subject area should approve comment input. The MAJCOM or FLDCOM commander, deputy, executive director, director of staff, or equivalent with

oversight responsibility over the subject area should approve MAJCOM or FLDCOM-related comment input before submission to the DAF Audit Liaison and Follow-up Official or DoD action officers.

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 DAF 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 report within 180 days of issuance.

4.3.3.2. DAF management should 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; management did not fully address the intent of the recommendations; or the final report contains new or changed recommendations.

4.4. Classification Reviews and Markings.

4.4.1. The offices of primary and collateral responsibility and action officers will verify external reports containing classified, controlled unclassified, and personally identifiable information are classified and marked in accordance with DoDM 5200.01, DoDI 5200.48 and other related guidance. **(T-0)** 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 shall process GAO requests for security or mandatory declassification reviews through WHS in accordance with DoDI 7650.02, *Engaging with the Government Accountability Office (GAO) on GAO Audits*. **(T-0)**

4.5. Disagreement Resolution. DAF management and external audit organizations should attempt to resolve all disagreements, also referred to as nonconcurrences, on findings, recommendations, and potential monetary benefits within 6 months of the final report issuance.

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

4.5.1.1. Offices of primary or collateral responsibility personnel should explain their position in management comments.

4.5.1.2. DAF 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 should coordinate disagreements with the HAF, MAJCOM, FLDCOM, AFIMSC, USSF, ANG, or AFR point of contact, as applicable. If

unable to resolve the disagreement, DAF personnel should coordinate the issue through their chain of command to SAF/AG or the designated liaison official.

4.5.1.3. If the disagreement involves an ANG activity, SAF/AG or the designated liaison official will forward the final report containing the unresolved disagreement to the NGB-IR and Financial Management representatives.

4.5.1.4. If the disagreement involves a nonappropriated fund activity, SAF/AG or the designated liaison official will coordinate with the AFSVC, AFIMSC, and Air Force Services Audit Committee to resolve the issue.

4.5.1.5. If the issue involves a DoD OIG project, DoD OIG should coordinate with DAF 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 DAF 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. DAF management and SAF/AG 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 OMB Circular A-50. **(T-0)** The AFAA Operations Directorate (AFAA/DO) will compile data and submit semiannual status reports to the DoD OIG in accordance with OMB Circular A-50. **(T-0)**

Chapter 5

POTENTIAL MONETARY AND NON-MONETARY BENEFITS

5.1. Overview. Potential benefits, both monetary and non-monetary, offer DAF 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 may recur for an indefinite period of time; however, reporting will be limited in accordance with DoDM 7600.07. **(T-0)**

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 DoDM 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, DAF personnel should implement agreed-upon recommendations to address identified findings and realize potential monetary benefits.

6.2. Tracking Process. DAF personnel track the completion status for audit recommendations and corrective actions. DoDI 7650.02 and OMB Circular A-50, govern 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. Audit Liaison and Follow-up Program personnel will coordinate with assigned action officers and the offices of primary and collateral responsibility officials to track recommendations until closure, each GAO and DoD OIG recommendation and potential monetary benefit amount listed in the final report in accordance with OMB Circular A-50 and DoDI 7650.02. **(T-0)**

6.2.2. HAF, MAJCOM, FLDCOM, FOA, DRU, and their subordinate organizations should provide Audit Liaison and Follow-up Program personnel with action officer contact information for each recommendation listed in the external report. The offices of primary and collateral responsibility should update action officer contact information, as necessary.

6.2.3. Audit Liaison and Follow-up Program personnel may contact action officers to request status updates on corrective action plans and recommendations. Action officers should provide requested information through the HAF, MAJCOM, or FLDCOM organization with governance or operational responsibility over the subject area by the established suspense date.

6.2.4. Audit Liaison and Follow-up Program personnel will maintain a tracking system for audit recommendations.

6.2.5. Audit Liaison and Follow-up Program personnel will provide DAF leadership, management officials, and action officers with access to current recommendation status and report information, when requested.

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. DAF management may request an extension to the previously agreed-upon recommendation estimated completion date. The DAF principal, deputy, executive director, or equivalent responsible for governance over the subject area should submit extension requests to SAF/AG or a designated representative for processing. The MAJCOM or FLDCOM commander, deputy, executive director, director of staff, or equivalent with oversight responsibility over the subject area may request an extension if the recommendation addresses action by a specific command. Audit Liaison and Follow-Up Program personnel will update tracking records and forward a memorandum to the external audit organization, if required.

6.3. Recommendation Closure. Audit Liaison and Follow-up Program 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)**

6.3.1. Action officers should provide the Audit Liaison and Follow-up Program personnel a written closure request for recommendations associated with GAO and DoD OIG reports. Audit Liaison and Follow-up Program 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.

6.3.2. The external audit organization should notify Audit Liaison and Follow-up Program personnel if a recommendation closure request is approved. Audit Liaison and Follow-up Program personnel will notify the DAF action officer about recommendation closure disposition.

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. SAF/FMF monitors and tracks all DAF financial improvement and audit remediation-related deficiencies.

6.4.1. 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.

6.4.2. SAF/FMF personnel should notify the Audit Liaison and Follow-up Program personnel and DAF offices of primary or collateral responsibility which external reports and recommendations are categorized and tracked as financial statement-impacting deficiencies.

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

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

Chapter 7

NONAPPROPRIATED FUND AUDITS

7.1. Overview. The DAF shall 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 DoDI 7600.06, *Audit of Nonappropriated Fund Instrumentalities and Related Activities*. **(T-0)**

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 AFSVC oversees nonappropriated fund audits contracted with public accounting firms. AFSVC personnel should:

7.2.2.1. Review public accounting firm reports, advise 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 AFSVC 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 AFSVC. The AFSVC should work with the appropriate oversight board or committee to correct any deficiencies.

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

7.3.3. Report Distribution. The contract quality assurance evaluator should distribute public accounting firm reports to the installation or garrison commander, manager of the activity audited, servicing AFAA Area Audit Office, Air Force Office of Special Investigations, and the nonappropriated fund accounting office.

DOUGLAS M. BENNETT
Auditor General

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

OMB Circular A-50, *Audit Follow-up*, 29 September 1982

DoDD 5105.36, *Defense Contract Audit Agency*, 1 December 2021

DoDD 5106.01, *Inspector General of the Department of Defense (IG DoD)*, 20 April 2012

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

DoDI 7050.03, *Office of the Inspector General of the Department of Defense Access to Records and Information*, 22 March 2013

DoDI 7600.02, *Audit Policies*, 16 October 2014

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

DoDI 7650.01, *Government Accountability Office (GAO) and Comptroller General Requests for Access to Records*, 27 January 2009

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

DoDI 7650.02, *Engaging with the Government Accountability Office (GAO) on GAO Audits*, 24 January 2020

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

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

DAFI 33-360, *Publications and Forms Management*, 7 August 2020

AFI 33-322, *Records Management and Information Governance Program*, 23 March 2020

AFI 51-307, *Aerospace and Ground Accident Investigations*, 18 March 2010

AFI 90-201, *The Air Force Inspection System*, 17 December 2021

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

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

Prescribed Forms

None

Adopted Forms

DAF Form 847, *Recommendation for Change of Publication*

Abbreviations and Acronyms

AFAA—Air - Air Force Audit Agency

AFI—Air Force Instruction

AFIMSC—Air Force Installation and Mission Support Center

AFPD—Air Force Policy Directive

AFSVC—Air Force Services Center

AFR—Air Force Reserve

ANG—Air National Guard

DAF—Department of the Air Force

DAFI—Department of the Air Force Instruction

DoD—Department of Defense

DoD OIG—Department of Defense Office of the Inspector General

DoDI—Department of Defense Instruction

DoDM—Department of Defense Manual

DRU—Direct Reporting Unit

FLDCOM—Field Command

FOA—Field Operating Unit

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

SAF/AG—Auditor General of the Air Force

USAF—United States Air Force

USSF—United States Space Force

WHS—Washington Headquarters Service

Office Symbols

AFAA/DO—Air Force Audit Agency, Operations Directorate

AFRC/FMFO—Air Force Reserve Command Audit Focal Point

NGB-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

Department of the Air Force Management—The commander, principal, 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 HAF, MAJCOM, FLDCOM, FOA, DRU, or their subordinate organizations.

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.

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 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.

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).