



*Financial Management*

**REPORTS OF AUDIT**

----- **Compliance with this publication is mandatory** -----

This instruction implements AFPD 65-3, *Internal Auditing*, and prescribes responsibilities and processing procedures for Air Force Audit Agency (AFAA) reports of audit. This instruction applies to HQ AETC directors and chiefs of special staff.

**SUMMARY OF REVISIONS**

Adds information about reports of audit conducted in AETC (para 5.2) and updates office symbols and publication format.

**1. Procedures:**

1.1. The AFAA provides all levels of Air Force management with independent, objective, and constructive evaluations of the effectiveness with which managers carry out their responsibilities. These include financial, operational, and support activities.

1.2. HQ AETC and its subordinate organizations will use the Air Force audit program to its maximum potential and give reported discrepancies and irregularities prompt attention. Positive followup will be done to ensure action taken in response to audit reports is adequate to eliminate deficiencies and prevent recurrences.

**2. Responsibilities:**

2.1. In AETC, the Plans and Management Division, Directorate of Comptroller (HQ AETC/FMP), is the AETC focal point for audit activities. HQ AETC/FMP will:

2.1.1. Monitor the audit program for the command.

2.1.2. Serve as the focal point of contact for AFAA representatives.

2.1.3. Assist the headquarters staff in reviewing and replying to audit reports.

2.1.4. Prepare and submit the Followup Status Report, RCS: DD-IG(A)1574, to SAF/FMP.

2.2. Each director and chief of special staff designates, by memorandum, a focal point to oversee the audit program within his or her area of concern. The memorandum will be submitted to HQ AETC/FMP and will provide the designee's name, grade, office symbol, and telephone and fax numbers. The memorandum will be updated as soon as changes occur.

2.3. The HQ AETC offices of primary responsibility (OPR) (and offices of collateral responsibility (OCR), if appropriate) will:

2.3.1. Evaluate the effectiveness of action taken by management officials to correct deficiencies.

2.3.2. Refer staff disagreements to the AETC Director of Staff (AETC/DS) for resolution.

2.3.3. When an audit report is requested by the AETC Command Section, prepare an AF Form 1768, **Staff Summary Sheet**, summarizing the deficiencies cited and action taken to correct the deficiency.

### **3. Processing AFAA Draft Installation-Level Reports of Audit Issued to HQ AETC Directorates or Chiefs of Special Staff:**

3.1. HQ AETC/FMP will forward a copy of the final draft report of audit to the HQ AETC OPR for formal management comments and establish a suspense date to meet that of the AFAA.

3.2. The HQ AETC OPR will:

3.2.1. Inform the auditor of any nonconcurrency during the critique of the audit and try to resolve differences before the report is finalized. If differences cannot be resolved, the matter will be elevated to AETC/DS. Nonconcurrences not resolved at this headquarters will be elevated to SAF/AGA.

3.2.2. Prepare the formal MAJCOM response, using the format at attachment 1. Discuss and coordinate the final draft report of audit with all responsible activities. Because management comments are incorporated verbatim into the final report of audit, they should be as concise and brief as possible.

3.2.3. Ensure the various types of management responses to audit reports (shown below) are followed.

- Comments must express concurrence or nonconcurrency with each finding and recommendation, including estimated potential monetary benefits.
- If there is an agreement, management comments must show full agreement with the finding and the recommendation. Follow with a precise and definite statement of corrective actions taken or planned. If corrective action has not been or cannot be completed on each recommendation at the time the report is processed, state the reason and estimated date of completion of the action. General statements indicating action in the indefinite future are not acceptable.
- If the recommended action is not completely acceptable, but the audit's intent is valid, the response should state what action is necessary and provide an alternative to the recommendation. (This is not considered a nonconcurrency, but a "concur with intent.")

- When nonconcurring, show disagreement in whole or in part with the finding, recommendation, or potential monetary benefit statement. Fully explain any nonconcurrency.
- Following the comments to each recommendation, state whether action is open or closed. If it is open, include estimated completion date. Followup reports are due to HQ AETC/FMP 30 days after the estimated completion date stipulated in the original response. If the estimated completion date is extended, give HQ AETC/FMP the new date and reason for the extension.
- If the report of audit shows repeat discrepancies, explain why the condition has continued to exist, current status of corrective action, and action taken to prevent recurrence.
- When potential monetary benefits (PMB) are identified, the PMB statement will indicate coordination by the budget officer and comptroller.

3.2.4. Prepare an AF Form 1768 asking AETC/DS to sign management's response to the audit; info AETC/CV and AETC/CC. Coordinate the AF Form 1768 with HQ AETC/FM and other AETC staff agencies as appropriate.

3.2.5. Provide HQ AETC/FMP a copy of the AF Form 1768 and a copy of the signed indorsement for file.

### **4. Processing Reviews of Installation-Level Reports of Audit Issued to Subordinate Units (Base-Level Audits):**

4.1. HQ AETC/FMP will send reports of audit by transmittal letter to the HQ AETC OPR for evaluation and establish a suspense period of four (4) weeks. (Attachment 2 contains a list of activities subject to audit, showing HQ AETC OPRs.)

4.2. The HQ AETC OPR will:

4.2.1. Review report findings, PMBs, recommendations, and subordinate units' replies to ensure findings and related PMBs are valid and recommendations and management comments are in line with AETC policy and to determine the adequacy of corrective action taken or planned. When the action cannot be completed within the allotted time, the OPR will contact HQ AETC/FMP for an extension.

4.2.2. Coordinate with AFAA to resolve differences of opinion on the intent or content of the AFAA reports.

4.2.3. Determine AETC Command Section interest and keep that office informed, if applicable.

4.2.4. Coordinate all reports of audit that identify PMBs with HQ AETC/FMA.

4.2.5. If corrective action is inadequate or there are recurring discrepancies not satisfactorily explained, return the report on or before the HQ AETC/FMP suspense date to the base-level functional counterpart. The cover letter should be signed by the HQ AETC OPR director or chief of special staff; info HQ AETC/FMP and the installation commander. Establish a suspense of 30 days for the base to submit its revised management comments to the HQ AETC OPR.

4.2.6. If a disagreement occurs at base level over release of information to auditors, attempt to resolve the issue in accordance with AFI 65-301, chapter 2. Send information copies of related correspondence to HQ ATC/FMP.

4.2.7. For each report that requires no additional corrective action, concur and forward the report to HQ AETC/FMP for file.

4.2.8. Process reports containing nonconcurrences as follows:

- If a base or HQ AETC OPR or OCR nonconcur with the audit report, the HQ AETC OPR will attempt to resolve the difference with the Randolph AFAA office.
- After all meetings, the HQ AETC OPR will send a letter to the Randolph AFAA (with a copy to HQ AETC/FMP) stating the MAJCOM position. If the audit is considered resolved, the Randolph AFAA will prepare a memorandum of resolution to AETC/CC and the installation commander, if applicable (with a copy to HQ AETC/FMP). After all meetings, if a dispute between the AFAA and HQ AETC OPR remains, the HQ AETC OPR will prepare a memorandum to be staffed through AETC/DS which will be the final MAJCOM position. If the issue still cannot be resolved, the AFAA will elevate the dispute to SAF/AGA for resolution at the Air Staff. If SAF/AGA is unable to settle the issue, it will then be elevated to Secretariat level for final resolution.
- For base-level reports, on receipt of a final adjudication memorandum the HQ AETC OPR will notify the base (with a copy to HQ AETC/FMP) of resolution actions. If the audit position is upheld, the memorandum will direct the base to comply with the

audit, establish estimated completion dates, and initiate appropriate 30-day followup procedures. If management's position is upheld, the memorandum will direct the base to disregard the disputed findings and recommendations with no further action required.

## **5. Processing AFAA Air Force-Level Reports of Audit (Blue Books):**

5.1. HQ AETC/FMP will send copies of Air Force audits provided to AETC for information to the applicable HQ AETC OPR to determine AETC Command Section interest.

5.1.1. If conditions reported in the audit warrant the AETC Commander's attention, the HQ AETC OPR will prepare an AF Form 1768 summarizing the audit report and coordinate the form through the appropriate staff agencies including HQ AETC/FM and HQ AETC/FMP.

5.1.2. Managers will ensure similar deficiencies do not exist in their areas of responsibility or other activities within AETC. Extracts of deficient items from these reports may be sent to subordinate units to help them self-examine their activities.

5.2. If the Air Force-level report of audit was conducted at HQ AETC (a MAJCOM report of audit), the HQ AETC OPR will:

5.2.1. Process the report and provide management comments following the basic guidelines in paragraphs 3.2 through 3.2.3 of this instruction. However, instead of using the indorsement format at attachment 1, the HQ AETC OPR will prepare a cover memorandum for AETC/DS signature and provide the management comments as an attachment to the memorandum.

5.2.2. Discuss and coordinate the final draft audit report with responsible activities to include the appropriate AFAA office conducting the audit and originating the audit report (for example, AFAA/QL, AFAA/FS, etc.). Coordinate all responses to reports of audit that identify PMBs with HQ AETC/FMA.

5.2.3. Prepare an AF Form 1768 asking AETC/DS to sign management's response to the audit; info AETC/CV and AETC/CC. Coordinate the AF Form 1768 with HQ AETC/FM, other AETC staff agencies (as appropriate), and AFAA/FDW (that is, the AFAA Representative/Western Region Chief located on Randolph AFB, TX).

5.2.4. Send HQ AETC/FMP a copy of the AF Form 1768 and a copy of the signed memorandum for file.

5.3. When a final Air Force report of audit contains findings and (or) recommendations requiring HQ AETC action, SAF/FMPF will provide a "tracking summary" report to HQ AETC/FMP. HQ AETC/FMP will forward the report to the HQ AETC OPR for action. The HQ AETC OPR will complete parts II, III, and IV, as applicable, and return the report to HQ AETC/FMP by the assigned suspense date.

**6. Processing Followup Reports (AFI 65-403):**

6.1. HQ AETC/FMP will send audit followup reports to the HQ AETC OPR for review, action, and indorsement back to HQ AETC/FMP. These reports will be forwarded to the HQ AETC OPR upon receipt until all actions in the audit are completed.

6.2. HQ AETC/FMP will maintain a suspense of all followup reporting actions to headquarters-level and base-level audit reports

MELANIE B. COOKE, Colonel, USAF  
Deputy Comptroller

***Attachments***

1. Format for the MAJCOM Response to an AFAA Report of Audit (Final Draft)
2. Activities Subject to Audit and HQ AETC Staff Elements Designated as OPRs

**FORMAT FOR THE MAJCOM RESPONSE TO AN AFAA REPORT OF AUDIT (FINAL DRAFT)**

1st Ind to AFAA Report of Audit XXXXXXXX, (Title of Audit)

\_\_\_\_\_  
\_\_\_\_\_, HQ AETC/\_\_\_\_, Randolph AFB TX

FROM: HQ AETC/DS

TO: AFAA Area Audit Office  
2035 1st Drive West, Suite 3  
Randolph AFB TX 78150-4305

1. Introduction. Noted.
2. Scope. Noted.
3. Overall Evaluation. Noted.
4. Subject (same as shown in the audit report).
  - a. Findings # \_\_\_\_: Concur, Concur with Intent, or Nonconcur with each finding (*see note 1*).
  - b. Recommendation # \_\_\_\_: Concur, Concur with Intent, or Nonconcur with each recommendation (*see note 2*).

**NOTE 1:**

Concur. No written comments are required, but are appropriate in those instances where further clarification is warranted.

Concur with Intent. Written comments are required. Indicates partial agreement with the auditors, but describes misstated assumptions or factors overlooked by the auditors in their findings. Fully explain rationale.

Nonconcur. Written comments are required. Cite reasons for nonconcurrency and provide substantiating data as attachments. Positions should be brief and comprehensive.

**NOTE 2:**

Concur. Show full agreement with the recommendation. Follow with a precise and definite statement of the action taken to adopt the recommendation. If the action is complete, indicate "closed" after each recommendation. If corrective action has not been or cannot be completed on each recommendation at this time, state the reason and the estimated completion date. General statements indicating action in an indefinite future are not acceptable.

Concur with Intent. Indicates agreement that correction is warranted; but rather than adopt the auditor's recommendation, management is proposing an alternative solution to correct the cited deficiency. Fully describe the alternative solution. This action is looked upon by auditors as being more responsive.

Nonconcur. Shows full disagreement with the recommendation. Follow with a precise and definite statement that thoroughly explains and justifies the nonconcurrency.

**ACTIVITIES SUBJECT TO AUDIT AND HQ AETC HEADQUARTERS STAFF ELEMENTS  
DESIGNATED AS OPRS**

**Director of Civil Engineer (CE)**

Base Engineer  
 Base Maintenance  
 Base Recovery and Recycle Program  
 Civil Engineering Material Acquisition System (CEMAS)  
 Dormitory Management  
 Environmental Compliance Assessment and Management Program (ECAMP)  
 Family Housing/Administration  
 Family Housing/Maintenance and Repairs  
 Family Housing Supply  
 Furnishing Management  
 Hazardous Materials  
 Real Property  
 Self-Help Store Program  
 Simplified Acquisition of Base Engineering Requirements (SABER)  
 Utility Cost Reimbursements

**Comptroller (FM)**

Financial Analysis  
 Internal Management Control  
 Industrial Funds  
 Financial Services  
 -- Paying & Collecting  
 -- Civilian Pay  
 -- Military Pay  
 -- Travel  
 -- Accounting Liaison  
 -- Funds Control  
 -- Anti-Deficiency Act

**Directorate of Personnel (DP)**

Air Force Aid Society  
 Command Membership Association Fund  
 Dependent's Schools  
 Education Services  
 Personnel Utilization  
 Resource Augmentation Duty (READY) Program  
 Personnel Management

**Directorate of Logistics (LG)**

Contracting Management  
 Supply Management  
 Transportation Management  
 Aircraft Maintenance Management

**Directorate of Recruiting (RS)**

Composite Audits of Recruiting Activities

**Safety (SE)**

Unsafe Conditions  
 Hazardous Communications and Training  
 Occupational Safety and Health Complaints  
 Work or Training Fatalities (including Aircraft Mishaps)

**Surgeon (SG)**

Hazardous Communications  
 Medical Facilities  
 Medical Prime Vendor Contracting Program  
 Medical Logistics  
 Precious Metals

**Directorate of Technical Training (TT)**

Training Aids  
 Audiovisual Aids

**Directorate of Security Police (SP)**

Personal Deposit Fund  
 Military Working Dogs  
 Status of Resources and Training System (SORTS)

**Chaplain (HC)**

Chaplain's Fund

**Directorate of Information Management (IM)**

Publishing

**Directorate of Command, Control, Communications, and Computers (SC)**

Automatic Data Processing Equipment (ADPE)  
 Communications/Electronics  
 Military-Affiliate Radio System  
 Communications Security  
 TEMPEST  
 Land Mobile Radio Systems  
 Local Area Networks

**Directorate of Services (SV)**

NAF Financial Management  
 Nonappropriated Fund Instrumentalities  
 Unit Funds  
 Enlisted Club  
 Officers' Club  
 Command Morale, Welfare and Recreation Fund  
 Lodging Funds  
 Aero Clubs  
 Child Development Program and Family Day Care  
 Command Lodging Fund  
 Collocated Clubs

Library Accounts  
Fitness Centers  
Community Activity Centers  
Food Services  
Troop Issue  
Mortuary Affairs and Honor Guard  
Readiness (Prime Rib)  
Private Organizations  
Laundry and Dry Cleaning Services  
Linen Exchange

**Directorate of Plans and Operations (XO)**

Plans  
Manpower and Organization  
Requirements  
Statements of Need  
Commercial Activities (A-76)  
Advanced Academic Degrees Billets  
Sensitive Compartmented Billets  
Flight Simulator Management