



Department of Defense

DIRECTIVE

NUMBER 7650.3

June 3, 2004

Certified Current as of October 18, 2006

IG DOD

SUBJECT: Follow-up on General Accounting Office (GAO), DoD Inspector General (DoD IG), and Internal Audit Reports

- References: (a) DoD Directive 7650.3, subject as above, February 14, 1992 (hereby canceled)
(b) Appendix 3 of title 5, United States Code
(c) Office of Management and Budget Circular A-50, "Audit Follow-up," September 29, 1982¹
(d) Comptroller General of the United States, "Government Auditing Standards (Yellow Book),"² current edition
(e) through (i), see enclosure 1

1. REISSUANCE AND PURPOSE

This Directive:

1.1. Reissues reference (a) to update policy and responsibilities for follow-up on the findings and recommendations of the General Accounting Office (GAO); the Inspector General of the Department of Defense (IG DoD); and other DoD internal audit organizations (hereafter referred to collectively as "auditors").

1.2. Implements references (b), (c), (d), (e), (f), and (g).

1.3. Authorizes the issuance of further guidance in accordance with reference (f).

¹ Copies may be obtained via the Internet at <http://www.whitehouse.gov/omb/circulars/a050/a050.html>

² The Yellow Book can be viewed at www.gao.gov or copies can be purchased via the Internet at <http://bookstore.gpo.gov>

2. APPLICABILITY AND SCOPE

This Directive:

2.1. Applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities in the Department of Defense (hereafter referred to collectively as the "DoD Components").

2.2. Does not apply to the formulation of DoD positions on GAO reports. Applicable policies and procedures are contained in DoD Directive 7650.2 (reference (h)).

2.3. Does not apply to reports issued by the Defense Contract Audit Agency that are designated as contract audit reports. Follow-up policies and procedures for contract audits are contained in DoD Directive 7640.2 (reference (i)).

3. DEFINITIONS

Terms used in this Directive are defined in enclosure 2.

4. POLICY

It is DoD policy that:

4.1. The DoD Component managers recognize, support, and use auditors as important elements of DoD management systems.

4.2. Timely decisions and responsive actions shall be taken and documented on audit findings and recommendations to reduce costs, manage risks, and improve management processes.

4.3. Follow-up is an integral part of good management and is a responsibility shared by DoD managers and auditors.

4.4. An effective, credible decision process shall be maintained to resolve disputes on audit findings and recommendations; prevent preemptive actions, such as proceeding with activities questioned in undecided audit reports; and provide prompt and well-documented decisions consistent with statutes and regulations.

4.5. Follow-up systems shall provide for a complete record of action taken on findings and recommendations.

5. RESPONSIBILITIES

5.1. The Deputy Secretary of Defense shall decide issues that may not be decided otherwise pertaining to IG DoD reports and other audit reports that are directed to DoD-level activities and endorsed by the IG DoD.

5.2. The Inspector General of the Department of Defense (IG DoD) shall oversee and coordinate follow-up programs within the Department of Defense. In discharging that responsibility, the IG DoD, shall:

5.2.1. Work with the DoD Components to resolve disagreements about applicable reports and submit information on disagreements that may not be resolved at a lower management level to the Deputy Secretary of Defense for decision.

5.2.2. Evaluate corrective actions taken by the DoD Components on GAO and IG DoD reports and identify any discrepancies to appropriate officials.

5.2.3. Establish policy and procedures for DoD follow-up programs.

5.3. The Heads of the DoD Components shall:

5.3.1. Work with the IG DoD to resolve disagreements between their respective DoD Components and the IG DoD.

5.3.2. Take corrective action on agreed-upon IG DoD and GAO findings and recommendations requiring their action.

5.3.3. Provide documentation and assistance requested by the IG DoD to learn the status of corrective actions.

5.4. The Secretaries of the Military Departments shall:

5.4.1. Comply with paragraph 5.3., above.

5.4.2. Designate officials to:

5.4.2.1. Decide issues about disagreements over findings, recommendations, and estimates of monetary benefits made by the audit organizations of the Military Departments.

5.4.2.2. Ensure the effective execution of their Component's audit follow-up program.

5.4.3. Establish audit follow-up policies, procedures, and systems for the Component's audit follow-up program, consistent with this Directive.


5.4.4. Provide periodic follow-up status reports on the Component's follow-up program to the IG DoD.

6. INFORMATION REQUIREMENTS

The Secretaries of the Military Departments shall provide a semi-annual follow-up status report to the IG DoD.

7. EFFECTIVE DATE

This Directive is effective immediately.



Paul Wolfowitz
Deputy Secretary of Defense

Enclosures - 2

- E1. References, continued
- E2. Definitions

E1. ENCLOSURE 1

REFERENCES, continued

- (e) DoD Directive 7600.2, "Audit Policies," March 20, 2004
- (f) DoD Directive 5106.01, "Inspector General of the Department of Defense,"
April 13, 2006
- (g) Appendix of title 5, United States Code, Note to Inspector General Act of 1978
Sec. 5
- (h) DoD Directive 7650.2, "General Accounting Office Audits and Reports,"
July 13, 2000
- (i) DoD Directive 7640.2, "Policy for Follow-up on Contract Audit Reports,"
February 12, 1988

E2. ENCLOSURE 2

DEFINITIONS

E2.1.1. Decided. An agreement has been reached between management and auditors or a decision has been made by a senior official settling the disagreement. When the GAO reports, all findings, recommendations, or monetary benefits are considered decided once an official DoD response has been made to the final report.

E2.1.2. Finding. As defined in the U.S. Comptroller General "Government Auditing Standards" (reference (d)), a statement made on the basis of the information developed about an organization, program, activity, function, condition, or other matter that was analyzed or evaluated.

E2.1.3. Monetary Benefits. Questioned costs or funds put to better use resulting from audit findings.

E2.1.4. Undecided. Management has not yet commented on a DoD audit organization's final report, or does not concur and the DoD audit organization does not agree with the management position. Also applies when management and the DoD audit organization are attempting to resolve disagreements at lower levels, or the disagreement is being submitted to a senior official for decision.