Purpose: In accordance with the authority in DoD Directive (DoDD) 5106.01, this issuance establishes policy, assigns responsibilities, and prescribes procedures for DoD audits.
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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY.

This issuance applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of Inspector General of the Department of Defense (IG DoD), the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this issuance as the “DoD Components”).

1.2. POLICY.

a. The DoD internal control system will provide adequate audit coverage of all DoD organizations, programs, activities, and functions. DoD Instruction (DoDI) 7600.06 provides additional guidance on audit coverage of nonappropriated fund instrumentalities.

b. Independent audits and attestation engagements of DoD organizations, programs, activities, and functions will be conducted in accordance with DoD Manual (DoDM) 7600.07 and U.S. Government Accountability Office-21-368G, also known and referred to in this issuance as the “generally accepted government auditing standards (GAGAS),” to determine whether:

   (1) Internal control systems are properly designed, implemented, operating, and effective.

   (2) Information is reliable and relevant.

   (3) Applicable laws, regulations, and policies are followed.

   (4) Assets and resources are safeguarded.

   (5) Desired program results are achieved.

   (6) Operations are effective and efficient.

   (7) Risk management processes are effective and significant risks are appropriately identified and managed.

c. Nothing in this issuance will interfere with the independence or responsibilities of the Inspectors General of the Defense Intelligence Enterprise (IGs DIE) consistent with Title 5, United States Code (U.S.C.) Appendix, also known and referred to in this issuance as the “Inspector General Act of 1978,” as amended.
SECTION 2: RESPONSIBILITIES

2.1. IG DOD.

In accordance with the Inspector General Act of 1978, and in addition to the responsibilities in Paragraph 2.6., the IG DoD:

a. Provides policy direction for audits in the DoD.

b. Monitors and evaluates the DoD auditors’ adherence to this issuance and:

(1) GAGAS.

(2) Internal audit and contract audit principles, policies, and procedures.

(3) American Institute of Certified Public Accountants statements on:

(a) Auditing standards.

(b) Standards for attestation engagements.


c. Initiates, conducts, supervises, and coordinates audits in the DoD as appropriate.

d. Maintains a dedicated cadre of DoD special access program (SAP)-trained personnel to perform audit functions for DoD SAPs and SAP-related activities in accordance with DoDD 5205.07.

e. Accesses classified items, SAPs, and the alternative compensatory control measures program.

f. Develops and maintains DoDM 7600.07.

g. Prescribes guidance for determining when non-Federal auditors may be used and ensures that work performed by non-Federal auditors complies with GAGAS.

h. Coordinates with the DoD Components’ internal audit, internal review, and inspector general (IG) unit activities to avoid duplication and ensure effective coverage.

i. Reviews the nature, objective, scope, limitations, and procedures of internal audits with the DoD Components.

j. Conducts audit activities including performing and overseeing audits of:
(1) The OSD, Joint Chiefs of Staff, Combatant Commands, Defense Agencies, and DoD Field Activities.

(2) Selected programs and operations of the DoD.

(3) The entire procurement and acquisition process, including audits:
   (a) That evaluate the performance of contractors and contract administration officials.
   (b) Of contracts and other acquisition instruments.

(4) Activities, programs, or functions solely within one of the Military Services.

(5) Other areas, as appropriate, that are within the IG DoD’s statutorily authorized responsibilities.

k. Conducts external peer reviews or approves arrangements for other DoD Components or commercial entities to conduct external peer reviews.

l. As necessary, and pursuant to the Inspector General Act of 1978, considers requests from DoD Components for issuing:
   (1) Subpoenas duces tecum, seeking information from sources outside the Federal Government.
   (2) Subpoenas ad testificandum, seeking attendance and testimony from individuals not currently employed by the Federal Government or on active military duty.

m. Issues such subpoenas, as necessary, pursuant to the Inspector General Act of 1978.

2.2. ASSISTANT SECRETARY OF DEFENSE FOR SPECIAL OPERATIONS AND LOW INTENSITY CONFLICT.

In addition to the responsibilities in Paragraph 2.6., the Assistant Secretary of Defense for Special Operations and Low Intensity Conflict:

a. Maintains coordination with the special operations IG’s office and supports its effective and efficient operation in accordance with this issuance.

b. Exercises audit responsibility of United States Special Operations Command and its subordinate commands.

2.3. DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY (DCAA).

Under the authority, direction, and control of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense, and in addition to the
responsibilities in Paragraph 2.6., the Director, DCAA provides contract audit functions for all DoD Components in accordance with DoDD 5105.36.

2.4. DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE.

Under the authority, direction, and control of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense, and in addition to the responsibilities in Paragraph 2.6., the Director, Defense Finance and Accounting Service provides services and advice to the DoD and other Federal agencies on finance, accounting, and audit matters in accordance with DoDD 5118.05.

2.5. DIRECTORS, NATIONAL SECURITY AGENCY/CENTRAL SECURITY SERVICE; NATIONAL RECONNAISSANCE OFFICE; DEFENSE INTELLIGENCE AGENCY; AND NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY.

Under the authority, direction, and control of the Under Secretary of Defense for Intelligence and Security and the DoD Chief Information Officer, as applicable in accordance with Section 142(b)(1)(D) of Title 10, U.S.C., the Director, National Security Agency/Central Security Service; and, under the authority, direction, and control of the Under Secretary of Defense for Intelligence and Security, and working in coordination with their respective IG, the Directors of the National Reconnaissance Office, Defense Intelligence Agency, and National Geospatial-Intelligence Agency; will, in addition to the responsibilities in Paragraph 2.6.:

   a. Implement DoD audit policy relevant to their respective DoD Components.

   b. Provide support or information, as necessary, for the IG DoD to satisfy their duties and responsibilities in accordance with this issuance.

   c. Coordinate with the IG DoD on matters of common interest to avoid potential conflicts arising from overlapping statutory responsibilities.

2.6. DOD AND OSD COMPONENT HEADS.

The DoD and OSD Component heads maintain authority, direction, and control over their audit capabilities; ensure effective and efficient operations in accordance with this issuance; and, in their relationships with DoD audit organizations:

   a. Recognize and support the audit function as an important element of the management internal control system for the DoD and fully use audit services and results and help auditors to:

      (1) Determine what security clearances are needed to conduct audits.

      (2) Access SAPs as determined by the IG DoD.
(3) Obtain full and timely access to contractor personnel, facilities, and records, in accordance with applicable laws, regulations, contracts, and other acquisition instruments (e.g., grants, cooperative agreements, and other transactions).

(4) Obtain requested documentation in accordance with the deadlines that the auditors establish.

b. Provide office space and facilities or assist audit organizations established in their DoD Component in obtaining an acceptable work site.

c. Provide timely, responsive, and constructive management consideration and comments on the findings and recommendations presented in draft audit reports. Review monetary benefit estimates, including those developed using quantitative methods. DoDIs 7640.02 and 7650.03 include policies and procedures for following up on audit report findings and recommendations.

d. Provide audit organizations established in their DoD Component with the resources (e.g., personnel and funds) and organizational position necessary to effectively and efficiently accomplish assigned audit functions.

e. Fund audit services (e.g., financial statement audits or attestation engagements) performed by contractors (e.g., independent public accounting firms).

f. Require that DoD employees comply with DoDM 7600.07 and this issuance.

g. Recommend and coordinate changes to DoDM 7600.07 and this issuance.

h. Regularly update their respective DoD Component’s audit report distribution requirements.

i. Coordinate with the Washington Headquarters Services’ Audit Management Division on matters concerning Government Accountability Office reports, surveys, reviews, recommendations, and other activities, in accordance with DoDI 7650.02.

2.7. SECRETARIES OF THE MILITARY DEPARTMENTS.

In addition to the responsibilities in Paragraph 2.6., the Secretaries of the Military Departments:

a. Maintain authority, direction, and operational control over their audit and local audit organizations and verify their effective and efficient operation in accordance with this issuance.

b. Exercise audit responsibility of the Military Department Components of the Combatant Commands.

c. Require that audit responsibilities in each Military Department are implemented by a single audit organization led by a civilian auditor general.

d. Require that audit responsibilities in a military exchange system are implemented by a single exchange audit organization.
SECTION 3: PROCEDURES

3.1. REQUIREMENTS FOR DOD AUDIT ORGANIZATIONS.

   a. Independence.

      In audit work matters, DoD audit organizations and the individual auditors must be independent of mind and independent in appearance, pursuant to GAGAS.

   b. Quality Control.

      Reviewers independent of the DoD audit organization must conduct a quality control system review in accordance with GAGAS. The review will occur at least once every 3 years and determine whether the organization’s internal quality control system is in place and operating effectively.

      (1) Each DoD audit organization will ensure that external quality control reviews are performed in a timely manner and in accordance with GAGAS.

      (2) As part of the semiannual reports to Congress, the IG DoD will include information concerning DoD audit organizations that, during the reporting period, either:

         (a) Received a fail opinion from an external peer review; or

         (b) Is overdue for an external peer review, conducted in accordance with the Inspector General Act of 1978.

3.2. ACCESS TO INFORMATION.

   a. Unless access is precluded or limited by law, regulation, or DoD policy, DoD audit organizations must have unrestricted access to personnel, facilities, records, reports, audits, reviews, databases, documents, papers, recommendations, and other information or material related to planned or ongoing audit work, including research on future audit topics when requested by an auditor with proper security clearances. This includes the ability to make and retain copies of records, reports, audits, reviews, databases, documents, papers, recommendations, or other information or material.

   b. DoD audit organizations will safeguard and dispose copies or information obtained in accordance with law, regulation, or DoD policy. Also, DoD audit organizations must ensure that they collect, maintain, disseminate, and use personally identifiable information in accordance with Section 552a of Title 5, U.S.C.; DoD 5400.11-R; DoDI 5200.48, and DoDI 5400.11.

   c. DoD Components will grant access as described in Paragraph 3.2. and provide information and material to the audit organization on a non-reimbursable basis.
d. IG DoD auditors will have access to records and information in accordance with DoDI 7050.03.

e. In accordance with the Inspector General Act of 1978, the IGs DIE will have independent authority to access records and information available to their DoD Components. The IGs DIE may issue guidance on accessing records and information for their auditors in accordance with the Inspector General Act of 1978 and their responsibilities for implementing DoD audit policy relevant to their respective DoD Components.

f. For non-IG DoD and non-IGs DIE auditors, DoD Component heads may deny these organizations access to their Component’s records only if doing so would justify the Secretary of Defense to deny access to the IG DoD. In accordance with the Inspector General Act of 1978, the Secretary of Defense may prohibit the IG DoD access to records to preserve the United States’ national security interests. When an auditor other than an IG DoD or IGs DIE auditor is denied unrestricted access:

   (1) The situation must be reported through the auditor’s chain of command to the DoD audit organization head and through command channels to the DoD Component head within 15 workdays.

   (2) The DoD Component head will decide to uphold or reject the access denial within 30 workdays from the time the auditor requests access. If the DoD Component head upholds the access denial, they will notify the IG DoD within 15 workdays of the final denial decision.

g. DoD audit organizations must secure the release of required information in accordance with Chairman of the Joint Chiefs of Staff Instruction 5714.01 if they perform audits that involve:

   (1) The Joint Staff.

   (2) Combatant Commands.

   (3) Elements of the Military Services assigned to the Combatant Commands or engaged in joint planning.

   (4) Defense Agencies designated as combat support agencies or that require access to joint information.

h. As needed, the IG DoD will coordinate access for DoD Component auditors, non-DoD Federal auditors, and contracted auditors to other DoD Component entities for audits that require access to records or information from other DoD Component entities. DoD Components will not, without specific approval from the IG DoD, initiate or complete audits to evaluate other DoD Component operations.

i. When auditors need access to contractor records or information, they will request assistance from the contract administration and procurement organizations and coordinate the request with the DCAA.
1. If DCAA assistance is unavailable or untimely, DoD audit organizations may perform the necessary audit work themselves. Whenever possible, DCAA and DoD audit organizations will avoid duplicating audit work. The Audit Oversight Division in the Evaluations Component of the IG DoD will assist and facilitate discussions with the DCAA.

2. If a contractor denies access to their records or other information, as described in Paragraph 3.2., including the authority to make and retain copies, auditors may request that the IG DoD issue a subpoena through their respective audit organization. DCAA will have independent authority to subpoena records that the Secretary of Defense is authorized to examine or audit pursuant to Section 2313 of Title 10, U.S.C.

   j. The IGs DIE have independent authority to subpoena records pursuant to Section 6(a)(4) of the Inspector General Act of 1978.

3.3. POTENTIAL FRAUD OR OTHER CRIMINAL ACTS.

Potential fraud or other criminal acts discovered during an audit or attestation engagement must be referred to the appropriate investigative organization, in accordance with DoDI 5505.02.

3.4. CRIMINAL INVESTIGATIONS.

DoD audit organizations will support criminal investigations to the maximum extent possible within legal limitations and resource availability.

3.5. CONTRACTING FOR AUDIT SERVICES.

a. In accordance with Section 237.270 of the Defense Federal Acquisition Regulation Supplement, the DoD Components may contract audit services when:

   (1) Applicable expertise is unavailable in the DoD audit organization;

   (2) Augmentation of the DoD audit organization’s audit staff is necessary to execute the annual audit plan; or

   (3) Temporary audit assistance is required to meet audit-reporting requirements mandated by law or a DoD issuance.

b. The IG DoD:

   (1) Assigns the Audit Oversight Division with the responsibility of reviewing statements of work for procuring audit services from outside sources. The review must be performed before solicitations are released to prospective bidders to ensure the appropriate use of non-Federal auditors and compliance with applicable auditing standards.

      (a) The exception to this policy is for audits of nonappropriated funds and related activities authorized by DoDI 7600.06.
(b) DoD Components that procure audit services from outside sources will send the statements of work to the Audit Oversight Division.

(2) May recommend improvement to the DoD Components after reviewing the work statements. If a DoD Component decides not to follow the recommendations, it must notify the Audit Oversight Division and report which recommendations were not followed.

(3) May authorize DoD Components to contract with non-Federal auditors to perform multiple, similar audits, provided that the requesting agency presents sufficient justification. Once the IG DoD authorizes contracting of similar audits and reviews the initial statement of work, the requesting agency is not required to submit individual statements of work for a contract modification to the IG DoD, unless the requesting agency changes the statement of work as part of the contract modification. The requesting agency must include in the statement of work what audits it contracted for under the authorization.

c. DoD Components may acquire audit services from non-Federal auditors, as needed, in accordance with DoDM 7600.07.

(1) Non-Federal auditors who perform work for the DoD Components will comply with GAGAS.

(2) If a non-Federal auditor provides work that does not comply with GAGAS or other relevant standards:

(a) The Director, Audit Oversight Division may refer them to the American Institute of Certified Public Accountants, or appropriate State licensing authorities, for appropriate disciplinary action.

(b) The contracting authority may pursue appropriate contractual remedies under the Federal Acquisition Regulation up to and including suspension or debarment.

(c) Non-Federal auditor working papers and methodology are subject to peer review in accordance with American Institute of Certified Public Accountants requirements.

3.6. HIGH-RISK AREAS.

DoD audit organizations will consider management needs and high-risk areas when developing audit plans. Once completed, each DoD audit organization will review its audit plan with the DoD Component head or deputy of the command or activity that has operational control over the organization to be audited.

3.7. RECOMMENDATIONS.

DoD audit organizations will direct audit recommendations to the appropriate level of the DoD Component that has the capability and authority to ensure that corrective action is taken.
3.8. **UNIFORM STANDARDS AND POLICIES.**

The IG DoD will develop uniform standards, policies, and procedures for audits, and the DoD audit organizations will implement these standards and policies to improve the efficiency and effectiveness of the DoD audit activities. DoDM 7600.07 provides supplemental guidance on the audit policies that are consistent with DoDD 5106.01 and the Inspector General Act of 1978.
GLOSSARY

G.1. ACRONYMS.

<table>
<thead>
<tr>
<th>ACRONYM</th>
<th>MEANING</th>
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<tbody>
<tr>
<td>DCAA</td>
<td>Defense Contract Audit Agency</td>
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<tr>
<td>DoDD</td>
<td>DoD directive</td>
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<td>DoDI</td>
<td>DoD instruction</td>
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<td>DoDM</td>
<td>DoD manual</td>
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<tr>
<td>GAGAS</td>
<td>generally accepted government auditing standards</td>
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<tr>
<td>IG</td>
<td>inspector general</td>
</tr>
<tr>
<td>IGs DIE</td>
<td>Inspectors General of the Defense Intelligence Enterprise</td>
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<tr>
<td>IG DoD</td>
<td>Inspector General of the Department of Defense</td>
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<td>SAP</td>
<td>special access program</td>
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G.2. DEFINITIONS.

Unless otherwise noted, these terms and their definitions are for the purpose of this issuance.

<table>
<thead>
<tr>
<th>TERM</th>
<th>DEFINITION</th>
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<tbody>
<tr>
<td>attestation engagements</td>
<td>Examinations, reviews, and agreed-upon procedures engagements conducted in accordance with GAGAS attestation standards related to a subject matter assertion that is the responsibility of another party.</td>
</tr>
<tr>
<td>audits</td>
<td>Financial audits, attestation engagements, and performance audits conducted in accordance with GAGAS.</td>
</tr>
<tr>
<td>DoD audit organizations</td>
<td>Consists of the IG DoD, the DCAA, the internal audit organizations of the DoD Components, and the audit organizations of nonappropriated fund instrumentalities. It does not include the IGs DIE.</td>
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<tr>
<td>DoD employees</td>
<td>All active duty Service members and all DoD civilian employees, including nonappropriated fund employees, and special U.S. Government employees who are appointed for a limited period.</td>
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<td>TERM</td>
<td>DEFINITION</td>
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<tr>
<td>financial audit</td>
<td>Independent assessments of whether entities’ reported financial information (e.g., financial condition, results, and use of resources) is presented fairly, in all material respects, in accordance with recognized criteria.</td>
</tr>
<tr>
<td>IGs DIE</td>
<td>Consists of IGs from the National Security Agency, the National Reconnaissance Office, the Defense Intelligence Agency, and the National Geospatial-Intelligence Agency, pursuant to Section 8G of the Inspector General Act of 1978.</td>
</tr>
<tr>
<td>independent in appearance</td>
<td>The absence of circumstances that would cause a reasonable and informed third party to reasonably conclude that the integrity, objectivity, or professional skepticism of an audit organization or member of the engagement team has been compromised.</td>
</tr>
<tr>
<td>independent of mind</td>
<td>The state of mind that permits the conduct of an engagement without being affected by influences that compromise professional judgement.</td>
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<tr>
<td>internal audit</td>
<td>A function that helps DoD management attain its goals by providing information, analyses, assessments, and recommendations relevant to DoD management duties and objectives. The internal audit function supports the DoD Component heads. Auditors independently and objectively analyze, review, and evaluate existing procedures, controls, and performance relating to activities, programs, systems, and functions and constructively present conditions, conclusions, and recommendations to stimulate or encourage corrective action.</td>
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<tr>
<td>joint information</td>
<td>Defined in Chairman of the Joint Chiefs of Staff Instruction 5714.01.</td>
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<td>peer review</td>
<td>An evaluation conducted by a team of reviewers that is independent of the audit organization being reviewed. A peer review provides a reasonable basis for determining whether, for the period under review, the reviewed audit organization’s system of quality control was suitably designed and whether the audit organization complied with its quality control system. Peer reviews provide the reviewed audit organization with reasonable assurance that the organization conforms to applicable professional standards.</td>
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<tr>
<td>performance audit</td>
<td>Assessments of program effectiveness, economy, efficiency, internal control, compliance, and prospective analyses.</td>
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<td>TERM</td>
<td>DEFINITION</td>
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<tr>
<td>subpoena ad testificandum</td>
<td>A compulsory administrative request issued under the authority of the Inspector General Act of 1978 to appear and give oral testimony.</td>
</tr>
<tr>
<td>subpoena duces tecum</td>
<td>A compulsory administrative request issued pursuant to the Inspector General Act of 1978 to produce information, documents, reports, answers, records, accounts, papers, and other data in any medium (including electronically stored information and any tangible thing) and documentary evidence.</td>
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REFERENCES

Chairman of the Joint Chiefs of Staff Instruction 5714.01, “Policy for the Release of Joint Information,” current edition
DoD Instruction 5200.48, “Controlled Unclassified Information (CUI),” March 6, 2020
DoD Instruction 5400.11, “DoD Privacy and Civil Liberties Programs,” January 29, 2019, as amended
DoD Instruction 5505.02, “Criminal Investigations of Fraud Offenses,” August 29, 2013, as amended
DoD Instruction 7600.06, “Audit of Nonappropriated Fund Instrumentalities and Related Activities,” December 7, 2021
DoD Instruction 7640.02, “Policy for Follow-up on Contract Audit Reports,” April 15, 2015
DoD Instruction 7650.02, “Engaging with the Government Accountability Office (GAO) on GAO Audits,” January 24, 2020, as amended
DoD Instruction 7650.03, “Follow-up on Inspector General of the Department of Defense (IG DoD) and Internal Audit Reports,” December 18, 2014, as amended
Federal Acquisition Regulation, current edition
United States Code, Title 5
United States Code, Title 10
U.S. Government Accountability Office, “Government Auditing Standards,” current edition (also known as the “generally accepted government auditing standards (GAGAS)”)