



DEPARTMENT OF THE AIR FORCE  
WASHINGTON DC

Office of the Assistant Secretary

Contract Policy Memo 02-C-02

MEMORANDUM FOR ALMAJCOM/FOA/DRU (CONTRACTING)

14 JUN 2002

FROM: SAF/AQC  
1060 Air Force Pentagon  
Washington DC 20330-1060

SUBJECT: Contract Audit Follow-up (CAFU)

OMB Circular A-50, *Audit Follow-up*, and DOD Directive 7640.2, *Policy on Follow-up on Contract Audit Reports*, require all contract audit findings be resolved in a timely manner and all audits be tracked until all findings are resolved and dispositioned. The Air Force implementation of these requirements was covered in AFFARS 5315.407-91. CAFU coverage has been removed from AFFARS as part of the recent AFFARS rewrite. It will be incorporated into an Air Force Instruction (AFI). We are drafting the AFI. This memorandum serves as interim guidance until it is superseded by the AFI. Specific procedures for the Air Force CAFU Program are in Attachment 1.

SAF/AQCP is the designated contract audit follow-up office responsible for managing the Air Force CAFU Program. AFMC/PKPC has been delegated responsibility for administration of the program, including DODD 7640.2 reporting requirements.

The points of contact for this matter are Mr. Bill Sain, DSN 787-3812, Comm (937)257-3812, [bill.sain@wpafb.af.mil](mailto:bill.sain@wpafb.af.mil) or Ms. Debbie Weingart, DSN 986-0450, (937)656-0450, [debbie.weingart@wpafb.af.mil](mailto:debbie.weingart@wpafb.af.mil).

  
DARRYL A. SCOTT, Brig Gen, USAF  
Deputy Assistant Secretary (Contracting)  
Assistant Secretary (Acquisition)

Attachment:  
CAFU Procedures



AIR FORCE CONTRACTING  
SAF / AQC

# **AIR FORCE PROCEDURES**

**CONTRACT AUDIT FOLLOW-UP**

**JUNE 2002**

**VERSION 1.0**

**SUMMARY OF CHANGES**

	Description
June 2002	First edition published.

## **AIR FORCE PROCEDURES**

### **CONTRACT AUDIT FOLLOW-UP**

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References: OMB Circular No. A-50, Audit Followup, dated September 29 1982

DOD Directive 7640.2, Policy for Followup on Contract Audit Reports,  
dated February 12, 1988, as revised on August 16, 1995

This guide represents Air Force implementation of both OMB Circular A-50 and DODD 7640.2 which established certain responsibilities, reporting requirements, and follow-up procedures for contract audit reports issued by the Defense Contract Audit Agency (DCAA). All Air Force Contracting Officers (COs) shall be knowledgeable of, and comply with, the requirements of the OMB Circular, the directive, and these procedures. These documents can be found in Part 15 of the Contracting Toolkit on the SAF/AQC website. Many of the terms used within these procedures are defined in DODD 7640.2.

**Website URL:** <http://www.safaq.hq.af.mil/contracting/toolkit/part15/>

SAF/AQCP is the designated contract audit follow-up (CAFU) official responsible for managing the Air Force's CAFU program. Responsibility for complying with DODD 7640.2 reporting requirements for the AF, which apply to all MAJCOMS, have been delegated to HQ AFMC/PKPC.

**MAJCOM RESPONSIBILITIES:** MAJCOM Directors of Contracting must –

(a) Designate a CAFU focal point to manage the command's CAFU program in accordance with the OMB Circular, DODD 7640.2, and these procedures.

(1) For AFMC, the Chief of Pricing, Finance, and Specialized Policy Branch, HQ AFMC/PKPC is the designated CAFU official responsible for managing AFMC's CAFU program. The AFMC responsibilities outlined in paragraph's b through f of this section are delegated to AFMC center SCCO's. All reports shall be submitted through the PK Audit Reporting System;

(b) Establish procedures to monitor and ensure proper, timely, resolution, and disposition of contract audit reports within their commands;

(c) Establish procedures to maintain current records on all reportable audits, from receipt through disposition. For open reports, this includes written milestone plans comprised, as a minimum, of target resolution and disposition dates;

(d) Ensure that acquisition personnel within their command are properly trained in the utilization of contract audit reports and the requirements of the contract audit follow-up program;

(e) Establish procedures to ensure that the MAJCOM's semi-annual contract audit follow-up status report is prepared in accordance with these procedures;

(f) Direct periodic evaluations of the command's CAFU program to determine whether they are adequate and result in timely, appropriate resolution, and disposition of audit reports.

## **AIR FORCE PROCEDURES**

### **CONTRACT AUDIT FOLLOW-UP**

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**CO RESPONSIBILITIES:** The CO is responsible for reaching agreement with the contractor and has wide latitude and discretion in that regard. Accordingly, the guidance contained herein is structured in consonance with the independent, decision-making role of the CO and the financial advisory role of the contract auditor. CO's should give full consideration to contract audit advice and must pursue timely and proper resolution and disposition of contract audit reports. Resolution of contract audit reports, other than pre-award reports, is required within six months of report issuance (per OMB Circular A-50). Disposition should take place as soon as possible after resolution. Reportable audits should normally be disposed of within 12 months after issuance.

**TRACKING OF AUDIT REPORTS:** Contracting activities must track all contract audit reports, but only need to report those audits specified in DODD 7640.2. Tracking of non-reportable audits may be accomplished using records maintain in the contract file. The designated focal point at each Air Force contracting activity should maintain contract audit follow-up information on a current basis and use this information for the semi-annual contract audit follow-up status reports. Audit reports should be dropped from the tracking system in the reporting period following closure. The audit tracking information will normally be accumulated and maintained centrally at a level no higher than the AFMC direct reporting unit and at command headquarters for all other MAJCOMs. For auditor-determined final, indirect cost rate reports, a report is considered received for follow-up tracking purposes when it is forwarded by the auditor to the cognizant ACO for resolution and disposition.

**REPORTING OF AUDIT REPORTS:** Reportable audits are identified in Enclosure 4 of DOD Directive 7640.2. The information to be reported on each audit is identified in paragraph 6.3.4 of the DOD Directive. Each MAJCOM must prepare semi-annual status reports, using the formats for open and closed audits attached to this guide. The reports must cover the semi-annual periods ending 31 Mar and 30 Sep and must be submitted to HQ AFMC/PKPC within 15 days after the end of the period. If there are no audits, a negative report must be prepared and submitted. Items must be removed from the tracking and reporting system in the period following that in which they appeared on the closed status report. All activities must make every possible effort to ensure the completeness and accuracy of your semi-annual reporting submission. Special attention should be focused on ensuring the most accurate data is submitted on any audit listed as unresolved and over six months old. If a MAJCOM discovers inaccurate or incomplete data in their semi-annual reports, they should submit corrected data, through channels, to HQ AFMC/PKPC as soon as possible.

**CAFU FOR GAO REPORTS:** GAO audit reports, which disclose contract pricing issues and are issued directly to the buying activity must be tracked and reported in accordance with this guide. CO's must provide:

- (a) An initial response to the GAO within 60 days of receipt of the audit report; and
- (b) A copy of the initial response and the disposition documents, simultaneously to the following:

**AIR FORCE PROCEDURES**  
**CONTRACT AUDIT FOLLOW-UP**

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- (1) SAF/FMPF, Room 4D212, 1130 Air Force Pentagon, Washington DC 20330-1130,  
(703) 614-5422;
- (2) SAF/AQCP;
- (3) Office of the Inspector General, Department of Defense, Attn: DAIG, GAO Report  
Analysis, Rm 555, 400 Army Navy Dr, Arlington VA 22202.

**AIR FORCE PROCEDURES  
CONTRACT AUDIT FOLLOW-UP**

**STATUS REPORT ON SPECIFIED CONTRACT AUDIT REPORTS, OPEN REPORTS**  
(Report Control Symbol DD-1G(SA) 1580)  
**OPEN REPORT**

For Period Ending \_\_\_\_\_  
DoD Component USAF  
MAJCOM \_\_\_\_\_

	Audit Report Number	Report Date (1)	Contractor Name	Type of Audit (2)	Cost Questioned or Cost Avoidance	Deferred for Criminal Investigation (3)	In Litigation (4)	Resolved or Unresolved (5)	Disposition Target Date (1)	Reporting Activity (6)
A. Overaged Reports (Over 12 Months Old)										
B. Reports 6-12 Months Old										
C. Reports Less Than 6 Months Old										
D. Reports In Litigation										
E. Reports Involved In Criminal Investigation										

**Note:**

- (1) Year, month, day
- (2) Use codes listed in DODD 7640.2 Attachment 3 to Enclosure 3
- (3) If investigative organization has requested deferral of resolution or disposition action, list date of request.
- (4) Docket/Case No. or no (N)
- (5) For resolved audits: insert R and date of resolution. For unresolved audits: insert U and resolution target date.
- (6) Use DFARS Appendix G Activity Address Numbers

**AIR FORCE PROCEDURES  
CONTRACT AUDIT FOLLOW-UP**

**STATUS REPORT ON SPECIFIED CONTRACT AUDIT REPORTS, CLOSED REPORTS**  
(Report Control Symbol DD-1G(SA) 1580)

CLOSED REPORT

For Period Ending \_\_\_\_\_  
DoD Component USAF  
MAJCOM \_\_\_\_\_

	Audit Report Number	Report Date (1)	Contractor Name	Type of Audit (2)	Date of Disposition (1)	Cost Questioned or Cost Avoidance	Cost Sustained/Av oided	Reporting Activity (3)
A. Reports listed as coverage in prior report  B. Other reports closed during period								

Note:

- (1) Year, month, day
- (2) Use codes listed in DODD 7640.2 Attachment 3 to Enclosure 3
- (3) Use DFARS Appendix G Activity Address Numbers