

**QUALITY CONTROL REVIEW OF
AUDITED FINANCIAL STATEMENTS FOR
FY 2007 AND FY 2006**

Highway Trust Fund

Report Number: QC-2008-006

Date Issued: November 9, 2007



Memorandum

U.S. Department of
Transportation

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **ACTION:** Quality Control Review of
Audited Financial Statements for
FY 2007 and FY 2006,
Highway Trust Fund
Report Number: QC-2008-006

Date: November 9, 2007

From: Calvin L. Scovel III
Inspector General

Reply to
Attn. of: JA-20

To: The Secretary

The audit of the Highway Trust Fund (HTF) Financial Statements as of and for the years ended September 30, 2007, and September 30, 2006, was completed by KPMG LLP of Washington, D.C. (see Attachment). We performed a quality control review of the audit work to ensure that it complied with applicable standards. These standards include the Chief Financial Officers Act; Generally Accepted Government Auditing Standards; and Office of Management and Budget (OMB) Bulletin 07-04, "Audit Requirements for Federal Financial Statements."

KPMG concluded that the consolidated financial statements present fairly, in all material respects, the financial position of HTF as of September 30, 2007, and September 30, 2006, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States. On June 20, 2007, OMB waived the requirement for the Department to present separate HTF financial statements for Fiscal Year 2007 and beyond. The Department is choosing to present separate HTF financial statements for Fiscal Year 2007, but does not intend to so in the future.

HTF agencies¹ in general, and the Federal Highway Administration (FHWA) in particular, made significant improvements in the processes used to prepare financial statements, analyses of abnormal balances, and oversight of parent/child

¹ The Federal Highway Administration, National Highway Traffic Safety Administration, Federal Transit Administration, Federal Motor Carrier Safety Administration, Federal Railroad Administration, and Research and Innovative Technology Administration.

allocation transfers. This was the first time since the FY 2001 financial statement audit that no material weaknesses were reported for the HTF financial statements.

The report presented significant deficiencies in three areas:

1. Journal Entries and Account Relationships
2. General Controls over Financial Management Systems
3. Federal Transit Administration Grant Accrual

KPMG made nine recommendations for corrective action; we agree with all and, therefore, are making no additional recommendations. The Assistant Secretary for Budget and Programs/Chief Financial Officer concurred with the significant deficiencies; generally agreed with the recommendations; and planned to submit a detailed corrective action plan by December 31, 2007. In accordance with DOT Order 8000.1C, the corrective actions taken in response to the recommendations are subject to follow-up.

In our opinion, the audit work performed by KPMG complied with applicable standards.

We appreciate the cooperation and assistance of representatives of the HTF agencies, the Office of Financial Management, and KPMG. If we can answer any questions, please call me at (202) 366-1959 or Rebecca C. Leng, Assistant Inspector General for Financial and Information Technology Audits, at (202) 366-1496.

Attachment

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cc: Federal Highway Administrator
National Highway Traffic Safety Administrator
Federal Transit Administrator
Federal Motor Carrier Safety Administrator
Federal Railroad Administrator
Research and Innovative Technology Administrator