

**QUALITY CONTROL REVIEW OF
AUDITED FINANCIAL STATEMENTS FOR
FISCAL YEAR 2006**

Highway Trust Fund

Report Number: QC-2007-008

Date Issued: November 14, 2006



U.S. Department of
Transportation
Office of the Secretary
of Transportation
Office of Inspector General

Memorandum

Subject: **ACTION:** Quality Control Review of
Audited Financial Statements for Fiscal
Year 2006, Highway Trust Fund
Report Number: QC-2007-008

Date: November 14, 2006

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 year ended September 30, 2006, was completed by KPMG LLP of Washington, DC (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 06-03, "Audit Requirements for Federal Financial Statements."

On August 17, 2006, OMB granted a waiver to the Department for not having to prepare comparative financial statements for fiscal years 2006 and 2005, as a result of legislative changes to the surface transportation reauthorization law. KPMG concluded that the consolidated financial statements presented fairly, in all material respects, the financial position of HTF as of September 30, 2006, and its net costs, changes in net position, budgetary resources, and reconciliations of net costs to budgetary obligations for the year then ended, in conformity with accounting principles generally accepted in the United States.

The report presented one material internal control weakness, three reportable conditions, and one instance of noncompliance with laws and regulations.

Material Weakness

1. Financial Management, Reporting, and Oversight

Reportable Condition

1. General Controls over Financial Management Systems
2. Undelivered Orders
3. Fund Balance with Treasury Reconciliation

Noncompliance with Laws and Regulations

1. *Federal Financial Management Improvement Act of 1996 (FFMIA)*

KPMG made 21 recommendations for corrective action; we agree with them and, therefore, are making no additional recommendations. The Assistant Secretary for Budget and Programs/Chief Financial Officer concurred with the material weakness and reportable conditions; generally agreed with the recommendations; and planned to complete corrective actions. 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