
Office of Inspector General

Audit Report

QUALITY CONTROL REVIEW OF THE MANAGEMENT LETTER FOR THE AUDIT OF FISCAL YEARS 2014 AND 2013 FINANCIAL STATEMENTS

National Transportation Safety Board

Report Number: QC-2015-028

Date Issued: February 25, 2015





**U.S. Department of
Transportation**
Office of the Secretary
of Transportation

Office of Inspector General
Washington, DC 20590

February 25, 2015

The Honorable Christopher A. Hart
Acting Chairman
National Transportation Safety Board
490 L'Enfant Plaza, SW
Washington, DC 20594

Dear Acting Chairman Hart:

I am pleased to transmit the attached management letter in connection with the audit of the National Transportation Safety Board's (NTSB) financial statements as of and for the years ended September 30, 2014, and September 30, 2013. Leon Snead & Company, P.C. (LSC) of Rockville, MD, completed the audit under contract to the Office of Inspector General (OIG). The contract required that LSC perform the audit in accordance with generally accepted Government auditing standards and Office of Management and Budget (OMB) Bulletin 14-02, "Audit Requirements for Federal Financial Statements." LSC issued an auditor's report that included a clean (unmodified) opinion on NTSB's financial statements.¹

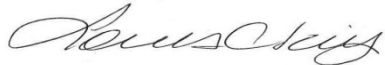
As part of its audit, LSC issued, and is responsible for, the attached management letter in which it identifies an internal control matter that requires management attention. LSC was not required to include this matter or the related recommendations in its auditor's report. Specifically, LSC states that it found posting errors in NTSB's interim financial statements and makes three recommendations regarding the errors. NTSB officials concurred with LSC's recommendations and committed to implementing corrective actions.

¹ *Quality Control Review of Audited Financial Statements for Fiscal Years 2014 and 2013, National Transportation Safety Board*, OIG Report No. QC-2015-008, November 10, 2014. OIG's reports are available at www.oig.dot.gov.

We performed a review of LSC's management letter and related documentation. Our review disclosed no instances in which LSC did not comply, in all material respects, with generally accepted Government auditing standards.

We appreciate the cooperation and assistance of NTSB's representatives and LSC. If you have any questions, please call me at (202) 366-1407, or George Banks, Program Director, at (410) 962-1729.

Sincerely,

A handwritten signature in cursive script, appearing to read "Louis C. King".

Louis C. King
Assistant Inspector General for Financial and
Information Technology Audits

Enclosure



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Inspector General, U.S. Department of Transportation
Chairman, National Transportation Safety Board

We have audited the financial statements of the National Transportation Safety Board (NTSB), as of and for the years ended September 30, 2014 and 2013, and have issued our report thereon dated November 6, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial statement audits contained in *Government Auditing Standards (GAS)*, issued by the Comptroller General of the United States; and OMB Bulletin 14-02, *Audit Requirements for Federal Financial Statements* (the OMB audit bulletin). In planning and performing our audit of the financial statements of NTSB, as of and for the years ended, September 30, 2014 and 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the NTSB's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NTSB's internal control. Accordingly, we do not express an opinion on the effectiveness of the NTSB's internal control.

During the course of our audit, we had the opportunity to observe various accounting and operating matters as they relate to the NTSB. Based on our audit, we reported one significant deficiency, and we have an additional observation and recommendations for NTSB. Even though the matter described in this management letter is not considered a significant deficiency as defined by the American Institute of Certified Public Accountants, this matter is still important in the overall internal control structure of NTSB and requires management's attention.

Posting Errors Impacted Interim Financial Statements

Posting errors by NTSB's service provider and by OCFO personnel have been significantly reduced; however, some posting errors continue to impact the agency's financial statements. Details follow:

Issue	Approx. Amount	Type Error	NTSB Aware
This amount should have been posted to GL 4510 after the apportionment was received, as required by USSGL posting models. This error in posting impacts the SBR in material amounts; however, It should be noted that at year-end this posting issue would be corrected.	\$17 million ¹	Agency Posting Error	Yes
Prior Year Expected Resources (apportioned on SF-132) remained posted as un-apportioned. This amount should have been posted to GL 4590 immediately after the apportionment was received.	\$40,000	Agency Posting Error	Yes
A FY 2012 Capital Lease agreement was erroneously set up as an operating lease requiring quarterly journal voucher adjustments by OCFO personnel. Because of posting errors, Delivered Orders (Budgetary) and Accounts Payable (Proprietary) accounts contain abnormal debit balances due to adjustments made by OCFO personnel.	\$181,000	Agency and Service Provider Posting Error	No
Reimbursable agreement revenue for the period of April through June 2014 was not recorded as an account receivable or as revenue, as required by FASAB standards. Therefore, assets and reimbursable revenue is understated on the interim BS and SNC and related footnotes.	\$149,556	Agency Posting Error	No
Training center and event rental revenue is not accounted for in accordance with FASAB SSFAS No.7, paragraphs 36 and 37, and does not follow the USSGL posting model for exchange revenue. Although exact information was not readily available, the amount of unearned revenue would not be material to the financial statements. However, monthly revenue posted during FY 2014 ranged from less than \$20,000 to approximately \$260,000, and potentially resulted in an understatement in GL 2310 (unearned revenue) and overstatement in GL 5200 (revenue from services provided).	unknown	Agency Posting Error	Yes

Recommendations

1. Re-establish accounting processes to recognize unearned revenue for these accounting events that are in accordance with FASAB standards.
2. Strengthen processes over the identification and correction of posting model errors to ensure that these errors are timely corrected by the service provider.
3. Discuss the posting errors identified in this report with appropriate OCFO personnel to ensure that these and similar conditions are not repeated.

¹ It should be noted that these funds were available to the agency, and at the beginning of the 4th quarter accounting entries were posted to the general ledger, and these funds were properly recorded.

This report is intended solely for the information and use of NTSB's governance and management, the U.S. Department of Transportation's, Office of the Inspector General, the Office of Management and Budget, the Government Accountability Office, and the Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Leon Snead & Company, P.C.

November 6, 2014