

**QUALITY CONTROL REVIEW OF  
AUDITED FINANCIAL STATEMENTS FOR  
FY 2008 AND FY 2007**

*Federal Aviation Administration*

*Report Number: QC-2009-008*

*Date Issued: November 13, 2008*




# 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 2008 and FY 2007, Federal Aviation Administration  
Report Number: QC-2009-0008

Date: November 13, 2008

From: Calvin L. Scovel III   
Inspector General

Reply to  
Attn. of: JA-20

To: The Secretary  
Acting Federal Aviation Administrator

The audit of the Federal Aviation Administration's (FAA) Financial Statements as of and for the years ended September 30, 2008, and September 30, 2007, 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, as amended; Generally Accepted Government Auditing Standards; and Office of Management and Budget Bulletin 07-04, "Audit Requirements for Federal Financial Statements," as amended.

KPMG concluded that FAA's consolidated financial statements presented fairly, in all material respects, the financial position of FAA as of September 30, 2008, and September 30, 2007, 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. KPMG reported two internal control significant deficiencies but no material weaknesses. The report did not identify any instances of noncompliance with laws and regulations.

FAA should be commended for corrections leading to the downgrading of the material weakness associated with its accounting for Property, Plant, and Equipment, including the Construction in Progress account, to a significant deficiency. This material weakness was reported in the last three consecutive years and resulted in a qualified audit opinion on FAA's Fiscal Year 2006 financial statements. Similarly, FAA slipped from an unqualified audit opinion to a qualified audit opinion in Fiscal Year 2000 due to deficiencies in this area.

FAA must remain vigilant in sustaining good financial management operations and continue improving its accounting for Property, Plant, and Equipment.

***Significant Deficiencies***

1. Timely Processing of Transactions for Property, Plant, and Equipment, including the Construction in Progress Account
2. Information Technology Controls over FAA and Third-Party Systems and Applications

KPMG made 11 recommendations for corrective action, we agree with all and, therefore, are making no additional recommendations. FAA concurred with the significant deficiencies, agreed with the recommendations; and committed to implement corrective actions by March 31, 2009. 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 FAA, Office of Financial Management, and KPMG representatives. If we can answer any questions, please call me at (202) 366-1959; David Dobbs, Principal Assistant Inspector General for Auditing and Evaluation, at (202) 366-1427; or Rebecca C. Leng, Assistant Inspector General for Financial and Information Technology Audits, at (202) 366-1407.

Attachment

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