

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

*Federal Aviation Administration  
Administrative Services Franchise Fund*

*Report Number: QC-2008-010  
Date Issued: November 13, 2007*



# Memorandum

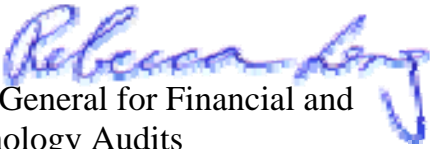
**U.S. Department of  
Transportation**

Office of the Secretary  
of Transportation  
Office of Inspector General

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Subject: **ACTION:** Quality Control Review of Audited Financial Statements for FY 2007 and FY 2006, Federal Aviation Administration Administrative Services Franchise Fund  
Report Number: QC-2008-010

Date: November 13, 2007

From: Rebecca C. Leng   
Assistant Inspector General for Financial and Information Technology Audits

Reply to  
Attn. of: JA-20

To: Acting Federal Aviation Administrator  
Mike Monroney Aeronautical Center Director

The audit of the Federal Aviation Administration Administrative Services Franchise Fund's Financial Statements as of and for the years ended September 30, 2007, and September 30, 2006, was completed by KPMG LLP of Oklahoma City (see Attachment). We performed a quality control review of the audit work to ensure that it complied with applicable standards. These standards include Generally Accepted Government Auditing Standards; and Office of Management and Budget Bulletin 07-04, "Audit Requirements for Federal Financial Statements."

KPMG concluded that the consolidated financial statements presented fairly, in all material respects, the financial position of the Franchise Fund 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.

The report presented three significant internal control deficiencies and one instance of noncompliance with laws and regulations.

***Significant Deficiencies***

1. Management Oversight and Analytical Review of Financial Statements
2. Adequate Support for Shipping Documentation
3. Information Technology Controls over the Franchise Fund and Third-Party Systems and Applications

***Noncompliance with Laws and Regulations***

1. Noncompliance with Public Law 104-205, Federal Aviation Administration - Administrative Services Franchise Fund

KPMG made five recommendations for corrective action. We agree with all and are, therefore, making no additional recommendations. Franchise Fund officials concurred with the significant deficiencies and noncompliance, and likewise agreed with the recommendations. Franchise Fund officials committed to implementing corrective actions during fiscal year 2008. 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 Federal Aviation Administration, Franchise Fund, and KPMG representatives. If we can answer any questions, please call me at (202) 366-1496; or Earl C. Hedges, Program Director, at (410) 962-1729.

Attachment

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