



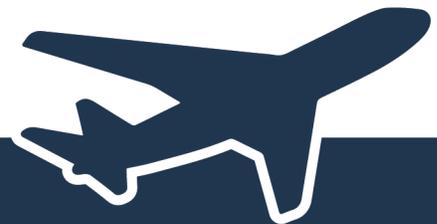
U.S. DEPARTMENT OF TRANSPORTATION  
**OFFICE OF INSPECTOR GENERAL**

**Quality Control Review of the  
Management Letter for the Federal  
Aviation Administration's Audited  
Consolidated Financial Statements for  
Fiscal Years 2020 and 2019**

**FAA**

Report No. QC2021014

January 27, 2021





## Quality Control Review of the Management Letter for the Federal Aviation Administration's Audited Consolidated Financial Statements for Fiscal Years 2020 and 2019

---

*Required by the Chief Financial Officer Act of 1990*

Federal Aviation Administration | QC2021014 | January 27, 2021

---

### What We Looked At

This report presents the results of our quality control review (QCR) of KPMG LLP's management letter related to the audit it conducted, under contract with us, of the Federal Aviation Administration's (FAA) consolidated financial statements for fiscal years 2020 and 2019. In addition to its audit report on FAA's financial statements, KPMG issued a management letter that discusses 17 internal control matters that it was not required to include in its audit report.

### What We Found

Our QCR of KPMG's management letter disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted Government auditing standards.

### Recommendations

KPMG made 20 recommendations in its management letter. FAA concurred with all 20 recommendations.

---

# Contents

Memorandum	1
Summary of KPMG's Management Letter	2
KPMG's Recommendations	6
Results of Quality Control Review	8
<b>Exhibit.</b> List of Acronyms	9
<b>Attachment.</b> Independent Auditor's Management Letter	10



---

## Memorandum

Date: January 27, 2021

Subject: INFORMATION: Quality Control Review of the Management Letter for the Federal Aviation Administration's Audited Consolidated Financial Statements for Fiscal Years 2020 and 2019 | Report No. QC2021014

From: Louis C. King   
Assistant Inspector General for Financial Audits

To: Federal Aviation Administrator

---

I am pleased to transmit the attached management letter related to the audit of the Federal Aviation Administration's (FAA) consolidated financial statements for fiscal years 2020 and 2019. KPMG LLP completed the audit under contract with us. The contract required that KPMG perform the audit in accordance with generally accepted Government auditing standards and the Office of Management and Budget's Bulletin 19-03, *Audit Requirements for Federal Financial Statements*. KPMG issued an auditor's report<sup>1</sup> that included a clean (unmodified) opinion on FAA's financial statements.

KPMG also issued, and is responsible for, a management letter, dated November 30, 2020 (see attachment), identifying 17 internal control matters that require FAA management's attention. KPMG was not required to include these matters or the related recommendations in its auditor's report.

We appreciate the cooperation and assistance of FAA's representatives and KPMG. If you have any questions, please contact me at (202) 366-1407.

cc: The Secretary  
DOT Audit Liaison, M-1  
FAA Audit Liaison, AAE-100

---

<sup>1</sup> See *Quality Control Review of the Independent Auditor's Report on the Federal Aviation Administration's Audited Consolidated Financial Statements for Fiscal Years 2020 and 2019* (OIG Report Number QC2021007), November 13, 2020.

---

## Summary of KPMG's Management Letter

In its management letter, KPMG reported the following deficiencies pertaining to information technology general and application controls, financial reporting, and other operational matters.

---

### Untimely Removal of Inactive Accounts From the Procurement System

Management runs a monthly user report to capture the application's accounts that have been inactive for a specified period of time, and emails inactive user accounts a week prior to verify that the accounts are still required for access. If the accounts remain inactive, the accounts should be disabled manually. However, FAA's controls were not properly implemented to ensure that all inactive user accounts were removed after the specified period of inactivity.

---

### Procurement System Database Password Length and History

The procurement system database is managed by users who must first authenticate their identities to FAA's network using personal identity verification cards and then authenticate to the database via password. However, controls were not designed or implemented to ensure that database password requirements complied with FAA's policy. The number of days, characters (length), and stored passwords (history) did not comply with FAA's Information Security and Privacy Program and Policy's (ISPP) minimum required settings for privileged users of 60 days, 12 characters, and 24 passwords.

---

### Procurement System Database Configuration Management Process

The procurement system interfaces with FAA's general ledger system. However, management did not properly approve and document control deviations for the procurement system's database configuration controls. Management was unable to provide evidence of the authorizing official's (AO) approval of the implementation of database changes and their dependency on the on the completion of the deviations, including risk mitigation and risk acceptance, as required by FAA policy.

---

## **Environmental Site Cleanup Automated Tracking System's Application Password Length**

The application's users authenticate to the application via password. However, FAA's controls were not designed and implemented to ensure that the application's password requirements comply with the FAA ISPP.

---

## **Segregation of Duties in the Environmental Site Cleanup Automated Tracking System**

FAA's controls were not designed or implemented to ensure that application developers did not have access to the production environment.

---

## **Inventory System Password Requirements**

FAA's application administrators are required to authenticate to the inventory system servers via password. However, controls were not designed or implemented to ensure that password requirements complied with the FAA ISPP.

---

## **Inventory System Configuration Management**

Changes to the inventory application, database, and operating system are tracked using a ticketing system to document configuration management changes and patches. However, FAA's controls were not designed and implemented to ensure that the inventory application, database, and operating system changes were tested, documented, and approved prior to migration into production, as required by the FAA ISPP.

---

## **Domain Account Lockout Threshold**

FAA's Default Domain Active Directory (AD) policy establishes password settings and account lockout configurations for Windows servers within the FAA.gov domain. However, FAA did not have controls in place and operating effectively

over the AD policy to ensure compliance with the FAA ISPP. FAA's AD policy for Windows servers did not lock accounts after the specified number of failed login attempts within a specified number of minutes per the FAA ISPP requirements. Instead, the FAA Default Domain Policy was inappropriately configured to lock accounts after a higher number of failed login attempts without regard for the specified number of minutes.

---

## **Controls Over Federal Employees' Group Life Insurance Elections**

FAA uses a shared service center to process personnel actions and payroll and benefit-related transactions. The Federal Employees' Group Life Insurance (FEGLI) program consists of basic life insurance. In most cases, unless coverage is waived, a new employee is automatically enrolled in FEGLI and the payroll office deducts premiums from their paychecks. FAA's controls were not designed and implemented to ensure that employees' FEGLI elections were accurately put into the records of the shared service center.

---

## **Environmental Remediation Liability Calculation**

FAA is responsible for remediating environmental contamination on land that it currently owns or has previously owned and bringing such sites into compliance with the applicable environmental standards. However, FAA's controls were not designed and implemented to ensure that only sites that had a probable future outflow or other sacrifice of resources were included in the environmental remediation liability.

---

## **Controls Over ESC's Management Approval of Journal Entries**

FAA's manual journal entry process consists of two control environments—Headquarters and Enterprise Services Center (ESC). However, FAA's controls were not operating effectively to ensure that manual journal entries that ESC posted were complete and accurate and reflected the intended financial statement impact included in the accompanying supporting documentation.

---

## Documentation of Variances in Journal Voucher Control Log Reconciliation

ESC's section managers perform monthly reviews for unposted manual journal vouchers to ensure completeness of journal entries posted to FAA's general ledger and completeness of journal voucher control logs. However, FAA's controls were not properly designed and implemented to ensure that discrepancies identified in the monthly journal voucher control log reconciliation were resolved and documented in a timely manner. KPMG found no evidence of resolution for a variance noted in one control log reconciliation.

---

## Controls Over the Validity of Expenses

FAA's controls were not operating effectively to ensure that transactions were valid and supported. The acceptance of one service was recorded prior to the actual receipt.

---

## Assessment of Immaterial Departures from Generally Accepted Accounting Principles

In its annual assessment of accounting policies and procedures, FAA did not perform a complete assessment of immaterial departures from generally accepted accounting principles to ensure that such departures did not aggregate to a material impact on the assets and liabilities related to exchange transactions in the financial statements.

---

## Method for Calculating Inventory Unit Costs

FAA's controls to mitigate the risk of error in inventory serviceable unit cost were not properly designed and implemented to ensure that the perpetual moving average cost methodology was appropriately applied to recalculations of inventory serviceable unit costs at the time of valid triggering events, such as current period purchases, donations, or fabrications.

---

## Use of Best Available Information To Inform the CARES Act Grant Accrual

FAA received \$9.45 billion in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding designated for grants to support airport operational costs due to a loss in revenues as a result of COVID-19. Because the purpose of this grant funding was distinct from FAA's previous grant activity, FAA management developed a new grant accrual methodology to estimate eligible CARES Act expenses incurred, but not yet reported by grantees as of September 30, 2020. However, FAA's controls were not designed and implemented to ensure that all inputs used in the CARES Act grant accrual calculation were based on the best available data. While 2019 airport operating expenditure data were available for some airports, these data were not validated and used in the determination of one of the inputs in the CARES Act grant accrual estimate.

---

## Documentation To Support the ESC's New Users

On a biweekly basis, FAA electronically transmits its payroll information to ESC—a shared service center—for processing. An annual Statement on Standards for Attestation Engagements 18 Service and Organization Controls (SOC) 1–Type 2 report on the internal controls at ESC specifies complementary client entity controls that must be implemented and operating effectively to support ESC's internal controls. However, the controls were not designed and implemented to ensure that appropriate evidence was maintained to support the operating effectiveness of certain client entity internal controls. FAA management was unable to provide a population of FAA users granted access to ESC during fiscal year 2020.

---

## KPMG's Recommendations

To strengthen FAA's financial, accounting, and system controls, KPMG recommended that FAA management:

1. Enforce existing manual controls for disabling inactive procurement system accounts after the specified period of inactivity and enable an information system to automatically disable inactive accounts after a specified period of inactivity, as required by NIST.

2. Identify and resolve discrepancies between the FAA ISPP and Center for Internet Security Benchmarks specific to the procurement system's password configurations.
3. If changes are needed, update the procurement system's security documentation to reflect the database password requirements.
4. Ensure that the procurement system database password settings comply with the FAA ISPP.
5. Review and update security documentation to ensure that the procurement system's database dependency on the general ledger and the related control deviation is documented and approved by the AO, as required by FAA policy.
6. Update the Environmental Site Cleanup Automated Tracking System application password settings to ensure compliance with the FAA ISPP.
7. Coordinate with the appropriate resources to ensure the implementation of an appropriate separation of duties process for Environmental Site Cleanup Automated Tracking System administrators and developers.
8. Update inventory system password settings to ensure compliance with the FAA ISPP.
9. Design and implement a process to ensure that the inventory application, database, and operating system changes are tested, documented, and approved prior to migration into production and update the change management ticketing system to capture required approvals and evidence of testing for application, database, or operating system changes, in accordance with the FAA ISPP.
10. Configure the account lockout threshold for the Windows server accounts within the FAA.gov domain to comply with FAA policy and system requirements.
11. Design and implement controls to validate that all employee FEGLI elections are accurately recorded in the records of the shared service center.
12. Perform an annual review of existing sites to identify those that may be in dispute, and solicit input from legal counsel to determine and document whether these sites should be included in the environmental remediation liability, as defined by generally accepted accounting principles.
13. Require that ESC ensure that existing procedures over the review of journal entries are performed, at an appropriate level of precision, to

determine that all posted manual entries are complete, accurate, and adequately supported by documentation.

14. Require that ESC update the Journal Voucher Processing standard operating procedures to explicitly document and define the responsibility of the control operator to annotate any variances identified in the journal voucher control log reconciliation with the actions taken and resolution obtained.
15. Update policies and procedures to clarify when acceptance should be recorded for a transaction.
16. Develop and implement guidance to formally document its assessments and recognition decisions, in accordance with SFFAC No. 5, as related to assets and liabilities of exchange transactions.
17. Update the standard operating procedures to define the triggering events for which the inventory serviceable unit cost should be revalued in accordance with applicable accounting standards.
18. Design and implement control activities to ensure that inventory serviceable unit costs are only revalued as a result of valid triggering events which occur during the current period.
19. Develop policies and procedures to ensure that judgments that inform accounting estimates are based on the best available information at the time of calculating and recording the CARES Act grant accrual estimate in the financial statements.
20. Develop procedures to document the period in which user access is granted and terminated to support the operating effectiveness of the shared service center's user access controls.

FAA concurred with KPMG's 20 recommendations and provided a detailed action plan to address the findings in the management letter. In accordance with DOT Order 8000.1C, the corrective actions taken in response to the findings are subject to follow up.

---

## Results of Quality Control Review

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

---

## Exhibit. List of Acronyms

AD	active directory
AO	authorizing official
CARES	Coronavirus Aid, Relief, and Economic Security
DOT	U.S. Department of Transportation
ESC	Enterprise Services Center
FAA	Federal Aviation Administration
FEGLI	Federal employee's group life insurance
ISPP	Information Security Privacy Program and Policy
NIST	National Institute of Standards and Technology
OIG	Office of Inspector General
QCR	quality control review
SFFAC	Statement of Federal Financial Accounting Concepts
SSAE	Statement on Standards for Attestation Engagements
SOC	service and organization controls

---

**Attachment.** Independent Auditor's Management Letter



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

November 30, 2020

Administrator, Federal Aviation Administration  
Inspector General, U.S. Department of Transportation

Ladies and Gentlemen:

In planning and performing our audit of the consolidated financial statements of U.S. Department of Transportation (DOT) Federal Aviation Administration (FAA) as of and for the year ended September 30, 2020 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements*, we considered the FAA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FAA's internal control. Accordingly, we do not express an opinion on the effectiveness of the FAA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and/or significant deficiencies and therefore, material weaknesses and/or significant deficiencies may exist that were not identified. In accordance with *Government Auditing Standards*, we issued our report dated November 9, 2020 on our consideration of the FAA's internal control over financial reporting in which we communicated certain deficiencies in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. In addition to the significant deficiency noted in our report, during our audit we identified the following other deficiencies in internal control related to financial reporting and information technology general and application controls, as well as other operational matters that are summarized in Exhibit I below.

The purpose of this letter is solely to describe the deficiencies in internal control identified during our audit. Accordingly, this letter is not suitable for any other purpose.

Very truly yours,

**KPMG LLP**

**A. Matters Related to Information Technology General and Application Controls****A.1 Controls Over the Procurement System**

FAA uses a commercial off-the-shelf application designed to process and track all procurement documents such as purchase requests, procurement contracts, solicitations, and purchase orders for products and services.

**Process to Remove Inactive Accounts Timely From the Procurement System (NFR DOT 2020-FAA-IT-06)***Background/Condition*

Management runs a user report monthly to capture the application's accounts that have been inactive for a specified period of time and emails inactive user accounts a week prior to this timeframe to verify the accounts are still required for access. If the accounts remain inactive subsequent to this timeframe, the accounts should be disabled manually.

Controls are not properly implemented to ensure that all inactive user accounts are removed after the specified period of inactivity.

*Recommendation*

We recommend that management enforce existing manual controls for disabling inactive accounts after the specified period of inactivity and enable an information system to automatically disable inactive accounts after a specified period of inactivity, as required by NIST.

**Procurement System Database Password Length and History (NFR DOT 2020-FAA-IT-13)***Background/Condition*

The procurement system database is managed by users who must first authenticate to the FAA network using Personal Identity Verification cards and then authenticate to the database via password.

Controls are not designed or implemented to ensure that database password requirements are in compliance with FAA's policy. Specifically, the database password age, length, and history are set to a certain number of days, characters, and passwords that are not in compliance with the FAA Information Security and Privacy Program & Policy's (ISPP) minimum required settings for privileged users of 60 days, 12 characters, and 24 passwords.

*Recommendation*

We recommend that application management:

1. Identify and resolve discrepancies between the FAA ISPP and Center for Internet Security Benchmarks specific to the procurement system's password configurations.
2. If changes are needed, update the procurement system's security documentation to reflect the database password requirements.
3. Ensure that database password settings are in compliance with FAA ISPP.

**Procurement System Database Configuration Management Process (NFR DOT 2020-FAA-IT-20)***Background/Condition*

The procurement system interfaces with FAA's general ledger system.

Management did not properly approve and document control deviations for the procurement system's database configuration controls. Specifically, management was unable to provide documentation evidencing Authorizing Official (AO) approval of the implementation of database changes and their dependency on the completion of the general ledger database changes deviations, including risk mitigation or risk acceptance, as required by FAA policy.

*Recommendation*

We recommend that management review and update security documentation to ensure that database dependency on the general ledger and the related control deviation is documented and approved by the AO, as required by FAA policy.

**A.2 Controls Over the Environmental Site Cleanup Automated Tracking System**

FAA uses an automated tracking system as a tool for real-time site management that tracks the environmental investigation, remediation, and regulatory closure status of the FAA's environmental cleanup program sites.

**Environmental Site Cleanup Automated Tracking System Application Password Length (NFR DOT 2020-FAA-IT-07)**

*Background/Condition*

The application's users authenticate to the application via password.

Controls are not designed and implemented to ensure that the application's password requirements are in compliance with the FAA Information Security and Privacy Program & Policy (ISPP).

*Recommendation*

We recommend that management update application password settings to ensure compliance with the FAA ISPP.

**Environmental Site Cleanup Automated Tracking System Segregation of Duties (NFR DOT 2020-FAA-IT-10)**

*Background/Condition*

Controls are not designed or implemented to ensure that application developers do not have access to the production.

*Recommendation*

We recommend that management coordinate with the appropriate resources to ensure the implementation of an appropriate separation of duties process for system administrators and developers.

**A.3 Controls Over Inventory System**

FAA utilizes an inventory system to provide support for inventory processes, including the generation of cost and performance reports, which interfaces with other applications to manage FAA's supply chain.

**Inventory System Password Requirements (NFR DOT 2020-FAA-IT-09)**

*Background/Condition*

Application administrators are required to authenticate to the inventory system servers via password.

Controls are not designed or implemented to ensure that password requirements are in compliance with the FAA Information Security and Privacy Program & Policy (ISPP).

*Recommendation*

We recommend that management update password settings to ensure compliance with the FAA ISPP.

**Inventory System Configuration Management Weaknesses Exist (NFR DOT 2020-FAA-IT-16)**

*Background/Condition*

Changes made to the inventory application, database, and operating system are tracked using a ticketing system to document configuration management changes and patches.

Controls are not designed and implemented to ensure that the inventory application, database, and operating system changes are tested, documented, and approved prior to migration into production, as required by the FAA Information Security and Privacy Program & Policy (ISPP).

*Recommendation*

We recommend that management design and implement a process to ensure that the inventory application, database, and operating system changes are tested, documented, and approved prior to migration into production and update the change management ticketing system to capture required approvals and evidence of testing for application, database, or operating system changes, in accordance with FAA ISPP.

**A.4 Other Information Technology Controls**

**Domain Account Lockout Threshold (NFR DOT 2020-FAA-IT-02)**

*Background/Condition*

The FAA Default Domain Active Directory (AD) policy establishes password settings and account lockout configurations for Windows servers within the FAA.gov domain.

Controls were not in place and operating effectively over the AD policy to ensure compliance with FAA Information Security and Privacy Program & Policy (ISPP). Specifically, the AD policy in place for Windows servers did not lock accounts after the specified number of failed login attempts within a specified period of minutes per the FAA ISPP requirements for account lockout threshold. Instead, the FAA Default Domain Policy was inappropriately configured to lock accounts after a larger number of failed login attempts without regard for the specified period of minutes.

*Recommendation*

We recommend that FAA management configure the account lockout threshold for the Windows server accounts within the FAA.gov domain to comply with FAA policy and system requirements.

**B. Matters Related to Financial Reporting**

**Controls Over Employee Federal Employees' Group Life Insurance Elections (NFR FAA-2020-01)**

*Background/Condition*

FAA uses a shared service center to process personnel actions and payroll and benefit related transactions. The federal government established the Federal Employees' Group Life Insurance (FEGLI) program that consists of basic life insurance. In most cases, unless coverage is waived, a new employee is automatically enrolled in basic life insurance and the payroll office deducts premiums from their paycheck.

Controls were not designed and implemented to ensure that FAA employee FEGLI elections were accurately input into the records of the shared service center.

*Recommendation*

We recommend that management design and implement controls to validate that all employee FEGLI elections are accurately recorded in the records of the shared service center.

**Environmental Remediation Liability Calculation (NFR FAA-2020-02)**

*Background/Condition*

FAA is responsible for remediating environmental contamination on land that it currently or has previously owned and bringing such sites into compliance with the applicable environmental standards.

Controls were not designed and implemented to ensure that only sites that have a probable future outflow or other sacrifice of resources are included in the environmental remediation liability, as defined by generally accepted accounting principles.

*Recommendation*

We recommend that FAA management perform an annual review of existing sites to identify those that may be in dispute, and solicit input from legal counsel to determine and document whether these sites should be included in the environmental remediation liability, as defined by generally accepted accounting principles.

**Controls Over Management Approval of Journal Entries at ESC (NFR FAA-2020-03)**

*Background/Condition*

FAA's manual journal entry process consists of two separate control environments, the Headquarters (HQ) and the Enterprise Services Center (ESC).

Controls are not operating effectively to ensure that manual journal entries posted by the ESC are complete and accurate and reflect the intended financial statement impact included in the accompanying supporting documentation.

*Recommendation*

We recommend that the ESC ensure that existing procedures over the review of journal entries are performed, at an appropriate level of precision, to determine that all posted manual entries are complete, accurate, and adequately supported by documentation.

**Documentation of Journal Voucher Control Log Reconciliation Variances (NFR DOT-2020-03)**

*Background/Condition*

As noted above, FAA's manual journal entry process consists of two separate control environments, the Headquarters (HQ) and the Enterprise Services Center (ESC). The ESC section managers perform a monthly review for unposted manual Journal Vouchers (JVs) to ensure completeness of journal entries posted to FAA's general ledger, as well as the completeness of the JV control logs.

Controls are not properly designed and implemented to ensure that all discrepancies identified in the monthly JV control log reconciliation are resolved and documented timely. Specifically, there was no evidence of resolution for a variance noted in one control log reconciliation.

*Recommendation*

We recommend that the ESC update the Journal Voucher Processing standard operating procedures to explicitly document and define the responsibility of the control operator to annotate any variances identified in the JV control log reconciliation with the actions taken and resolution obtained.

**Controls Over the Validity of Expenses (NFR FAA-2020-04)**

*Background/Condition*

Controls are not operating effectively to ensure that transactions are valid and supported. Specifically, the acceptance of a service was recorded prior to the actual receipt.

*Recommendation*

We recommend that the FAA update policies and procedures to clarify when acceptance should be recorded for a transaction.

**Assessment of Immaterial Non-GAAP Policies (NFR FAA-2020-05)**

*Background/Condition*

In its annual assessment of accounting policies and procedures, FAA did not perform a complete assessment of immaterial departures from Generally Accepted Accounting Principles (GAAP) to ensure that such departures do not aggregate to a material impact on the assets and liabilities related to exchange transactions in the financial statements.

*Recommendation*

We recommend that FAA develop and implement guidance to formally document its assessments and recognition decisions, in accordance with SFFAC No. 5, as related to assets and liabilities of exchange transactions.

**Method for Calculating Inventory Unit Costs (NFR FAA-2020-06)**

*Background/Condition*

Controls to mitigate the risk of error in inventory serviceable unit cost were not properly designed and implemented to ensure that the perpetual moving average cost methodology, as described in the Summary of Significant Accounting Policies is appropriately applied to recalculate inventory serviceable unit costs at the time of a valid triggering event (i.e., current period purchase, donation, or fabrication).

*Recommendation*

We recommend that management:

1. Update the standard operating procedures to define the triggering events for which the serviceable unit cost should be revalued in accordance with applicable accounting standards.
2. Design and implement control activities to ensure that serviceable unit costs are only revalued as a result of valid triggering events which occur during the current period.

**Use of Best Available Information to Inform the CARES Act Grant Accrual (NFR FAA-2020-07)**

*Background/Condition*

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted to address the economic impact caused by the coronavirus 2019 pandemic (COVID-19). The CARES Act provided FAA \$10 billion for Grants-in-Aid for Airports, of which \$9.45 billion was designated for grants to support airport operational costs due to a loss in revenues as a result of COVID-19. As the purpose of this grant funding was distinct from FAA's previous granting activity, management developed a new grant accrual methodology to estimate the eligible CARES Act expenses incurred, but not yet reported by grantees as of September 30, 2020.

Controls are not designed and implemented to ensure that all inputs used in the calculation of the CARES Act grant accrual calculation are based on the best available data (i.e., the most recent data available). Specifically, while 2019 airport operating expenditure data was available for some airports, the 2019 data was not validated and used in the determination of one of the inputs in the CARES Act grant accrual estimate.

*Recommendation*

We recommend that management develop policies and procedures to ensure that judgments that inform accounting estimates are based on the best available information at the time of calculating and recording the CARES Act grant accrual estimate in the financial statements.

**Documentation to Support Shared Service Center’s New Users (NFR FAA-2020-08)**

*Background/Condition*

As noted above, FAA uses a shared service center to process personnel actions and payroll and benefit-related transactions. On a biweekly basis, FAA electronically transmits its payroll information to the shared service center for processing. An annual SSAE 18 SOC 1 –Type 2 report on the internal controls at the shared service center specifies complementary client entity controls that must be implemented and operating effectively to support the internal controls in place at the shared services center.

Controls are not designed and implemented to ensure that appropriate evidence is maintained to support the operating effectiveness of certain client entity internal controls. Specifically, management was unable to provide a population of FAA users granted access to in the shared service center during FY20.

*Recommendation*

We recommend that management develop procedures to document the period in which user access is granted and terminated to support the operating effectiveness of the shared service center’s user access controls.

# U.S. DOT IG Fraud & Safety Hotline

[hotline@oig.dot.gov](mailto:hotline@oig.dot.gov) | (800) 424-9071

<https://www.oig.dot.gov/hotline>

## Our Mission

OIG conducts audits and investigations on behalf of the American public to improve the performance and integrity of DOT's programs to ensure a safe, efficient, and effective national transportation system.

**OFFICE OF INSPECTOR GENERAL**  
U.S. Department of Transportation  
1200 New Jersey Ave SE  
Washington, DC 20590



[www.oig.dot.gov](https://www.oig.dot.gov)