

**QUALITY CONTROL REVIEW OF
AUDITED FINANCIAL STATEMENTS FOR
FY 2009 AND FY 2008**

Federal Aviation Administration

Report Number: QC-2010-010

Date Issued: November 13, 2009



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 fiscal years 2009 and
2008, Federal Aviation Administration
Report Number: QC-2010-010

Date: November 13, 2009

From: Calvin L. Scovel III
Inspector General

Reply to
Attn. of: JA-20

To: The Secretary
Federal Aviation Administrator

I respectfully submit the Office of Inspector General's (OIG) Quality Control Review report on the Federal Aviation Administration's (FAA) audited Financial Statements for Fiscal Years (FY) 2009 and 2008.

The audit of FAA's Financial Statements as of and for the year ended September 30, 2009, was completed by Clifton Gunderson LLP (Clifton Gunderson), of Calverton, Maryland (see Attachment), under contract to OIG. 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.

Clifton Gunderson concluded that the financial statements present fairly, in all material respects, the financial position of FAA as of September 30, 2009, and its net costs, changes in net position, and budgetary resources, for the year then ended, in conformity with accounting principles generally accepted in the United States. Under contract to OIG, KPMG LLP, of Washington, DC, audited last year's FAA financial statements and also expressed an unqualified opinion on those statements.¹

¹ Quality Control Review of Audited Financial Statements for Fiscal Years 2008 and 2007, Federal Aviation Administration, Report Number QC-2009-008, November 13, 2008. OIG reports and testimony can be found on our Web site at : www.oig.dot.gov.

We congratulate FAA for obtaining clean audit opinions with no material weaknesses for 2 consecutive years. FAA should be commended for making significant progress in correcting control deficiencies in its financial management systems, which is no longer considered a significant deficiency this year. FAA also made good progress in addressing deficiencies pertaining to its Property, Plant, and Equipment (PP&E) accounting and reporting. However, due to the magnitude and complexity of FAA's PP&E, continued management attention is required.

Clifton Gunderson FY 2009 Audit Report

Clifton Gunderson reported one internal control significant deficiency and no instances of reportable noncompliance with laws and regulations.

Significant Deficiency

1. Property, Plant, and Equipment Accounting and Reporting

Clifton Gunderson made 14 recommendations to FAA to strengthen asset management and accounting controls for PP&E; we agree with all the recommendations and therefore, are making no additional recommendations. FAA officials concurred with the significant deficiency and the recommendations and committed to implement corrective actions by June 30, 2010. In accordance with DOT Order 8000.1C, the corrective actions taken in response to the recommendations are subject to follow up.

Our review disclosed no instances where Clifton Gunderson did not comply, in all material respects, with applicable auditing standards.

Other Matters

While not formally addressed in Clifton Gunderson's report, continued management attention and oversight of payments to grantees is needed to help sustain good financial management practices, especially for administering the \$1.3 billion funded under the American Recovery and Reinvestment Act. In FY 2009, acting on our advice, FAA conducted a much more comprehensive test of payments made to Airport Improvement Program grantees. Based on the testing results, FAA projected that about \$38 million in improper payments were made to grantees, mostly due to insufficient supporting documents provided by grantees. Testing for improper payments and requiring grantees to provide adequate support for use of Federal funds is essential to ensure accountability and provide for transparency. We encourage FAA to continue enhancing this testing.

We appreciate the cooperation and assistance of representatives of FAA, Office of Financial Management, and Clifton Gunderson. If we can answer any questions, please call me at (202) 366-1959; Ann Calvaresi-Barr, Principal Assistant Inspector General for Auditing and Evaluation, at (202) 366-1427; or Rebecca Leng, Assistant Inspector General for Financial and Information Technology Audits, at (202) 366-1407.

Attachment

#