

**QUALITY CONTROL REVIEW OF  
AUDITED FINANCIAL STATEMENTS FOR  
FY 2010 AND FY 2009**

*Federal Aviation Administration*

*Report Number: QC-2011-011*

*Date Issued: November 10, 2010*



# 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 2010 and  
2009, Federal Aviation Administration  
Report Number: QC-2011-011

Date: November 10, 2010

From: Calvin L. Scovel III  
Inspector General

Reply to  
Attn. of: JA-20

To: The Secretary  
Federal Aviation Administrator

I respectfully submit our report on the Quality Control Review of the Federal Aviation Administration's (FAA) audited Financial Statements for Fiscal Years (FY) 2010 and 2009.

The audit of FAA's Financial Statements as of and for the years ended September 30, 2010, and September 30, 2009, was completed by Clifton Gunderson LLP (Clifton Gunderson), of Calverton, Maryland (see Attachment), under contract to the Office of Inspector General (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 prescribed by the Comptroller General of the United States; 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, FAA's financial position as of September 30, 2010, and September 30, 2009, and its net costs, changes in net position, and budgetary resources, for the years then ended.

We congratulate FAA for obtaining clean audit opinions with no material weaknesses for 3 consecutive years. FAA should be commended for making significant progress in correcting control deficiencies pertaining to its Property, Plant, and Equipment (PP&E) accounting and reporting, which is no longer considered a significant deficiency. However, due to the magnitude and

complexity of FAA's PP&E accounting and reporting, continued management attention would be prudent.

### **Clifton Gunderson FY 2010 Audit Report**

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

#### ***Significant Deficiency***

1. **Controls over Financial Systems and Applications** - FAA needs to implement effective security controls to protect its financial information from unauthorized access, modification, and disclosure throughout the year.

Clifton Gunderson made two recommendations to FAA to strengthen its financial systems and applications controls. We agree with both recommendations, and are therefore making no additional recommendations. FAA officials concurred with the significant deficiency and the recommendations, and committed to implement corrective actions by April 30, 2011. 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 in which Clifton Gunderson did not comply, in all material respects, with applicable auditing standards.

We appreciate the cooperation and assistance of FAA representatives, the Office of Financial Management, and Clifton Gunderson. If we can answer any questions, please call me at (202) 366-1959; Lou Dixon, Principal Assistant Inspector General for Auditing and Evaluation, at (202) 366-1427; or Earl Hedges, Acting Assistant Inspector General for Financial and Information Technology Audits, at (410) 962-1729.

Attachment

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