FAA

Report QC2023018
February 8, 2023

Quality Control Review of the Management Letter for the Federal Aviation Administration's Audited Consolidated Financial Statements for Fiscal Years 2022 and 2021

Quality Control Review of the Management Letter for the Federal Aviation Administration's Audited Consolidated Financial Statements for Fiscal Years 2022 and 2021

Required by the Chief Financial Officers Act of 1990

Federal Aviation Administration | QC2023018 | February 8, 2023

What We Looked At

This report presents the results of our quality control review (QCR) of the management letter that KPMG issued on its audit, under contract with us, of the Federal Aviation Administration's (FAA) consolidated financial statements for fiscal years 2022 and 2021. This management letter discusses internal control matters that KPMG was not required to include in its audit report.

What We Found

Our QCR disclosed no instances in which KPMG did not comply, in all material respects, with U.S. generally accepted Government auditing standards.

Our Recommendations

KPMG made 17 recommendations to FAA in its management letter. FAA concurred with all 17 recommendations.

Contents

U. S. Department of Transportation
Office of Inspector General

Memorandum

Date: February 8, 2023

Subject: INFORMATION: Quality Control Review of the Management Letter for the Federal Aviation Administration's Audited Consolidated Financial Statements for Fiscal Years 2022 and 2021 | Report No. QC2023018

From: Dormayne "Dory" Dillard-Christian
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 2022 and 2021. KPMG LLP completed the audit under contract with us. The contract required KPMG to perform the audit in accordance with generally accepted Government auditing standards and the Office of Management and Budget's Bulletin 22-01, *Audit Requirements for Federal Financial Statements*. KPMG issued an auditor's report[1] that included a clean (unmodified) opinion on FAA's financial statements.

KPMG also issued, and is responsible for, a management letter, dated November 30, 2022 (see attachment), identifying 13 internal control matters[2] that require FAA management's attention. KPMG was not required to include these matters or the related recommendations in its auditor's report. We conducted a quality control review (QCR) of the management letter.

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[1] See *Quality Control Review of the Independent Auditor's Report on the Federal Aviation Administration's Audited Consolidated Financial Statements for Fiscal Years 2022 and 2021* (OIG Report No. QC2023007), November 14, 2022. OIG reports are available on our website at http://www.oig.dot.gov.

[2] Three of these 13 matters are deficiencies related to DOT's internal controls and those of the Department's shared services center, the Enterprise Services Center (ESC), but also affect FAA's control environment. KPMG made recommendations to DOT and ESC to address these deficiencies but FAA is not required to take any corrective actions. We discuss these control deficiencies and recommendations in our report entitled *Quality Control Review of the Management Letter for the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Years 2022 and 2021* (OIG Report No. QC2023016), February 8, 2023.

We appreciate the cooperation and assistance of FAA's representatives and KPMG. If you have any questions, please contact me, or Ingrid Harris, Program Director.

cc: The Secretary
DOT Audit Liaison, M-1
FAA Audit Liaison, AAE-001

Summary of Independent Auditor's Management Letter

In its management letter, KPMG reported the following deficiencies pertaining to general information technology controls, entity level controls, and business process controls.

Separation of Duties in the Time and Attendance System

FAA uses a time and attendance system owned by DOT, and ESC manages the system's application, operating system, and database. However, ESC did not have controls to detect or prevent developers from migrating programmatic changes to the system's production web application environment, which manages user functionality.

Privacy Threshold Analysis in the Procurement System

FAA did not have controls implemented to ensure that its procurement system privacy threshold analysis (PTA) was completed timely in accordance with the continuous monitoring strategy.

Acceptance and Processing of Vendor Invoices

FAA uses DOT's financial system invoicing web portal to facilitate the electronic submission, approval, and processing of contractor invoices by the appropriate officials. However, the contractor invoice review control was not designed at the necessary level of precision to identify discrepancies between the data entered and the underlying supporting documentation at the detailed invoice level. Management also did not timely reverse a contracting officer's representative (COR) acceptance in accordance with policies. Specifically, FAA recorded an expense and paid an invoice that was $450 greater than the supporting documentation indicated.

Improper Accounting for Environmental Liabilities Estimate

FAA is required to recognize an environmental remediation liability when the future outflow or other sacrifice of resources is probable and reasonably estimable. When both conditions are met, the estimated cost is to be included in the amount recognized on the face of financial statements in current-year dollars. However, FAA used an estimate methodology that contained an undocumented assumption—not in compliance with generally accepted accounting principles (GAAP)—and excluded future outflows from its estimate for which it has unliquidated obligations.

Accounting for Real Property Improvements

Management's accounting policies for real property costs related to the replacement of building components did not include a rationale for the treatment of Facility Improvement Analysis (FIA) and Modernization costs as capital improvements in contrast to its practice of expensing such components as maintenance and repairs. Management did not document its criteria for defining "major improvements" or "major renovations" that extend an asset's service life other than the replacement of building components under the FIA and Modernization programs. However, it expenses similar costs for other maintenance and repair programs.

Untimely Recording of Transactions Related to Reimbursable Agreements with Advance

FAA has the authority to enter into reimbursable agreements (RA) with Federal and non-Federal sponsors, including Unfilled Customer Orders (UCO) with Advance that are recorded in the financial system. However, management did not design a control to timely record UCOs with Advance transactions in accordance with the United States Standard General Ledger. Specifically, in one instance, FAA received and recorded an advance payment in fiscal year 2021 for an RA that had previously been signed but did not record the corresponding UCO with Advance transaction until fiscal year 2022.

Untimely Deobligation of Grant UDOs

FAA and its grantees must comply with various laws, regulations, administrative, and financial requirements, depending on the nature of the grant and grantee. Management did not design a control to timely deobligate grant undelivered orders (UDO) in the closeout phase of the grant process. Specifically, in one instance, FAA did not deobligate an Airport Improvement Program (AIP) grant UDO that had exceeded its period of performance as well as the grantee's closeout period, and had receipted grantee closeout documentation. The grantee had provided the grant closeout documentation to FAA more than a year prior, indicating that the remaining obligated funds were no longer required or requested.

Completeness and Accuracy of Future Minimum Lease Payments Disclosure and Underlying GSA Lease Population

FAA, through DOT, leases property from the General Services Administration (GSA), and makes lease expense payments based on contractual terms for those leases. FAA discloses these operating leases in its lease disclosure. However, management's controls were not designed or operating effectively to ensure that the population of GSA leases was complete and accurate. Specifically, three GSA leases had updates to their terms or costs that were not reflected in the population.

Ineffective Review of Payroll Shared Service Center Access Requests

DOT engages various external service organizations to perform select operations on its behalf, including payroll processing. In fiscal year 2022, FAA's internal controls over provisioning user access requests to the service organization system were not operating effectively. Specifically, FAA did not properly document

- the timely and appropriate security point of contact's (SPOC) review of three user access requests; and
- the supervisor's review of one user access request.

Access to Payroll Shared Services Center

DOT engages various external service organizations to perform select operations on its behalf, including payroll processing. In fiscal year 2022, internal controls over user access to the service organization system were not operating effectively. Specifically, FAA did not timely

- disable access to the payroll shared service center for two users who separated from FAA during the fiscal year; and
- remove access for 16 users that the SPOC identified for removal from the payroll shared service center during the annual recertification process; the SPOC did not remove the identified users during the completion of the review as indicated on the SPOC's documented form.

Recommendations

To strengthen FAA's information system and business process controls, KPMG recommended that FAA management:

1. Design and implement formal detective controls to log and monitor developer activities in the time and attendance production environment. All programmatic changes to the time and attendance production environment should be reviewed and reconciled from the logs to the approved change tickets.
2. Review and re-certify the FAA procurement system PTA in accordance with FAA policy.
3. Perform a risk assessment to consider the potential impact of discrepancies between vendor-submitted invoice web portal amounts and the vendor-submitted supporting documentation, and respond to the level of risk identified as appropriate.
4. Communicate the importance of its existing financial system goods and services acceptance processes, policies, and procedures with its CORs.
5. Quantify the impact of the non-GAAP assumption and record it as a part of their estimate if deemed material.
6. Update policies and procedures for the environmental remediation estimate to ensure that all methodology assumptions are documented.
7. Clarify its General Property, Plant & Equipment accounting policies for real property improvements to further document management's criteria

and considerations for capitalizing costs relating to building components typically expensed by FAA during the asset lifecycle.

8. Assess the nature of its FIA and Modernization costs incurred to document the specific criteria distinguishing the nature of these programs' costs from other programs' costs.

9. Continue to consider the appropriateness of its policies for real property, including improvement criteria, capitalization thresholds, and estimated useful lives, particularly for its fully depreciated real property.

10. Assess the risks associated with recording UCOs with Advance within its business process, and design and implement a control activity to ensure timely and accurate recording of UCOs with Advance for which an advance payment associated with the RA has been received.

11. Design and implement controls to perform a risk assessment for instances in which an AIP grant agreement remains open only for non-financial administrative or compliance requirements and respond to the risk of untimely deobligation of grant UDOs.

12. Design and implement controls to ensure that the population generated to support the disclosure of future minimum lease payments is complete and accurate.

13. Develop policies to define the scope of the lease disclosure.

14. Design and implement control activities to monitor the effective operation of its process controls related to provisioning new payroll shared service center access requests.

15. Develop policies and procedures for maintaining completed and authorized payroll shared service center access forms for new user access requests in a secure centralized location.

16. Design and implement control activities to monitor the effective operation of its process controls related to monitoring FAA employees' payroll shared service center access.

17. Take measures to ensure that FAA has sufficient control operator personnel available to support the annual recertification of FAA employees with payroll shared service center access within the reporting timeline prescribed by DOT.

FAA concurred with KPMG's 17 recommendations. FAA provided a detailed action plan to address the findings issued to it 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.

Quality Control Review

We performed a QCR 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

AIP	Airport Improvement Program
COR	contracting officer's representative
DOT	Department of Transportation
ESC	Enterprise Services Center
FAA	Federal Aviation Administration
FIA	Facility Improvement Analysis
GAAP	generally accepted accounting principles
GSA	General Services Administration
PTA	privacy threshold analysis
QCR	quality control review
RA	reimbursable agreement
SPOC	security point of contact
UCO	unfilled customer order
UDO	undelivered order

Attachment. Independent Auditor’s Management Letter

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

November 30, 2022

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

Ladies and Gentlemen:

In planning and performing our audit of the consolidated financial statements of the U.S. Department of Transportation (DOT) Federal Aviation Administration (FAA) as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 22-01 *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, 2022 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 above, we identified the following other deficiencies in internal control related to general information technology and entity level controls, and business process controls that are summarized in Exhibit I for your consideration.

This 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. General Information Technology and Entity Level Controls

Developers Can Migrate Program Changes to the Time and Attendance System Production Environment (NFR DOT-2022-FAA-IT-03)

Background/Condition

The Federal Aviation Administration (FAA) utilizes a time and attendance system categorized as a Department of Transportation (DOT)-owned system. The FAA Enterprise Service Center (ESC) manages the time and attendance system application, operating system, and database.

Controls are not designed to prevent or detect developers from migrating programmatic changes to the time and attendance production web application environment, which manages user functionality.

Recommendation

We recommend that time and attendance system management design and implement formal detective controls to log and monitor developer activities in the time and attendance production environment. All programmatic changes to the time and attendance production environment should be reviewed and reconciled from the logs to the approved change tickets.

Weakness Exists in the FAA Procurement System Assessment & Authorization Process (NFR DOT-2022-FAA-IT-04)

Background/Condition

FAA utilizes a procurement system to record and track requisitions, purchase orders, and contracts.

Controls were not implemented to ensure that the FAA procurement system Privacy Threshold Analysis (PTA) was completed timely in accordance with the continuous monitoring strategy. The FAA procurement system PTA was last updated in 2018, which was not within the FAA Security Authorization Handbook requirement that the PTA must be re-adjudicated every three (3) years.

Recommendation

We recommend that FAA management review and re-certify the FAA procurement system PTA in accordance with FAA policy.

Weaknesses exist in Entity Level Controls (NFR DOT-2022-OCIO-IT-01)

Background/Condition

The Office of the Chief Information Office (OCIO) developed the Departmental Cybersecurity Compendium, supplement to its cybersecurity policy. The policy was last updated in March 2018. The Departmental Cybersecurity Policy guidance is required to be implemented by all operating administrations (OAs) within DOT.

The DOT OCIO was unable to update the DOT Cybersecurity Compendium to include two missing National Institute of Standards and Technology (NIST) controls for moderate-impact systems as required by NIST or ensure tailoring and rationale decisions were documented for their removal. Further, the OCIO did not define and document control tailoring requirements for the Department and components when controls deviate from NIST or Department requirements.

Recommendation

We recommend the OCIO revise the website containing the policy documentation to ensure all documents are consistent and contain the same listing of required controls for moderate-impact systems. Additionally, the

OCIO should document any Department-wide tailoring decisions within the appropriate security documentation, as required by NIST. Finally, the OCIO should define and document control tailoring requirements for the Department and OAs.

B. Business Process Controls

Weakness in Controls Over the Maintenance and Review of the JV Control Log (NFR DOT-2022-01)

Background/Condition

The Enterprise Services Center (ESC) management performs a monthly review of the journal voucher (JV) control log for all manual journal entries posted. During this review the monthly control log is compared to a complete listing of the general ledger JV batch names posted during the same time period. The control operator will identify and resolve any variance identified during the performance of the control; including instances where JVs per the control log are excluded from the general ledger; manual journal entries in the general ledger are excluded from the control log; and duplicate sequential JV control numbers are used.

Controls were not operating effectively to ensure that discrepancies identified in the monthly control log review are documented and remediated in accordance with policy. Specifically, we identified a duplicate JV entry number in the general ledger's JV listing that did not appear in the JV control log. This duplicate entry was not appropriately documented by the control operator as a variance within the reconciliation.

Recommendation

We recommend that ESC create monitoring procedures over the existing management review of the JV Control Logs monthly reconciliation to ensure the consistent operation of the control, as defined within the policy.

DOT Monitoring of Service Organization Report (NFR DOT-2022-03)

Background/Condition

DOT engages various external parties to perform select operations on its behalf. These service organizations include, but are not limited to, a payroll provider to process personnel actions and payroll transactions. In fiscal year (FY) 2022, DOT performed a review of the current year service organization report, which covered the period August 1, 2021 to June 30, 2022. Additionally, DOT performed an additional review of the prior year service organization report as part of its OMB Circular No. A-123 processes during April 2022.

During FY 2022, DOT management's controls over the review of the service organization report were not designed effectively. Specifically, DOT management did not establish appropriate criteria for determining the potential impact of findings in the current year report on its payroll process during FY 2022.

Recommendation

We recommend that DOT management implement policies and procedures to strengthen their process to timely assess applicable third-party service organization reports such as consistently identifying and documenting the relevant control objectives, related controls, and rationale for non-relevant control objectives and controls; the relevant complementary end user controls designed and implemented by DOT; and the criteria used by management to evaluate the results of the service organization controls report and related findings.

Weakness in the Controls Over the Acceptance and Processing of Vendor Invoices (NFR FAA-2022-01)

Background/Condition

Per FAA's Procurement Guidance T3.3.I Contract Funding Financing & Payment, for most contractor invoices, FAA uses the DOT financial system invoicing web portal to facilitate the electronic submission, approval, and processing of contractor invoices by contracting officers (COs) and finance officials. Contractors enter electronic invoicing information into the web portal and submit supporting documentation (e.g., a detailed underlying invoice). For invoices requiring a three-way match, COs or their representatives (CORs) typically accept the invoice in the procurement system based on documentation or a receiving report from the COR and the presence of an award. The COR's acceptance of goods or services occurs as FAA receives goods or services, distinct from the acceptance of an invoice. FAA provides CORs with training, desktop guides, and policies to assist with the acceptance of goods and services within the procurement system, including instructions for immediately reversing an incorrect acceptance and emphasizing the importance of the acceptance to CORs.

For invoices received in three-way match transactions, FAA derives the payment amount from the contractor-entered electronic information limited by the total amounts accepted or obligated for a purchase order line; therefore, one or more accepted amounts may be processed for payment at once.

FAA has invoice and payment review procedures, including verifying contract information and that the COR has accepted sufficient amounts for the purchase order line; however, no individual is specifically responsible for comparing invoicing web portal information to the supporting attachment.

Management did not design its contractor invoice review control at the level of precision necessary to identify discrepancies between electronic data entered by the contractor in the invoicing web portal and the underlying supporting documentation at the detailed invoice level. Additionally, management did not timely reverse a COR acceptance in accordance with its procurement system invoice acceptance policies. Specifically, we identified one instance for which FAA recorded an expense and paid an invoice amount that was $450 greater than the underlying vendor supporting documentation amount, inconsistent with the contract.

Recommendations

We recommend that FAA:

1. Perform a risk assessment to consider the potential impact of discrepancies between vendor-submitted invoice web portal amounts and the vendor-submitted supporting documentation, and respond to the level of risk identified as appropriate.

2. Communicate the importance of its existing financial system goods and services acceptance processes, policies, and procedures with its CORs.

Improper Accounting for Environmental Liabilities Estimate (NFR FAA-2022-02)

Background/Condition

Per FAA’s Standard Procedures for Calculating Environmental Remediation Liability Methodology, FAA is required to recognize an environmental remediation liability when the future outflow or other sacrifice of resources is probable and reasonably estimable. If both these conditions are met, the environmental remediation liability cost estimate, or the portion of the total cleanup cost that is estimable at this time, will be included in the amount recognized on the face of financial statements in current year dollars.

FAA's estimate methodology contained an undocumented non-generally accepted accounting principles (GAAP) assumption that excluded future outflows from their estimate for which they have unliquidated obligations.

Recommendations

We recommend that FAA:

1. Quantify the impact of the non-GAAP assumption and record it as a part of their estimate if deemed material.

2. Update policies and procedures for the environmental remediation estimate to ensure that all methodology assumptions are documented.

Weakness in Accounting for Real Property Improvements (NFR FAA-2022-03)

Background/Condition

As of June 30, 2022, FAA had approximately 2,517 in-use building assets with a $1.1 billion acquisition cost and a $0 net book value. FAA continues to utilize these real property assets within its operations and therefore incurs costs for maintenance and repairs as well as capitalizable improvements. FAA distinguishes between repair and maintenance costs, which it expenses, and capital improvement costs, which it capitalizes. FAA identifies the replacement of specific building components, such as heating, ventilation, and air conditioning, as repair and maintenance costs unless there is a significant upgrade to the component or the replacement is related to a capital investment "that support facilities such as [the] Facility Improvement Analysis [FIA] and Modernization program[s], undertaken to extend the service life of the facility are subject to capitalization criteria as improvements to the building."

Management's accounting policies for real property costs related to the replacement of building components did not include the rationale for the treatment of FIA and Modernization costs as capital improvements in contrast to its business practice of expensing such components as maintenance and repairs. Management did not document its criteria for the definition of "major improvements" or "major renovations" that extend an asset's service life other than the replacement of building components under the FIA and Modernization programs but expensing similar costs for other maintenance and repair programs.

Recommendations

We recommend that FAA:

1. Clarify its General Property, Plant & Equipment accounting policies for real property improvements to further document management's criteria and considerations for capitalizing costs relating to building components typically expensed by FAA during the asset lifecycle.

2. Assess the nature of its FIA and Modernization costs incurred to document the specific criteria distinguishing the nature of these programs' costs from other programs' costs.

3. Continue to consider the appropriateness of its policies for real property, including improvement criteria, capitalization thresholds, and estimated useful lives, particularly for its fully depreciated real property.

Weakness in Timely Recording of Transactions Related to Reimbursable Agreements with Advance (NFR FAA-2022-04)

Background/Condition

Per FAA's Reimbursable Agreements Guiding Principles 6.16.3, FAA has the authority to enter into reimbursable agreements (RAs) with federal or non-federal sponsors. For non-federal Unfilled Customer Orders (UCOs), AFM-700 collects advances after agreements are signed, applies the advance payment to the agreement, and provides notification of payment receipt to the regional program offices. After the regional office transmits a funding request with a detailed line of accounting, often when it is preparing to begin the work associated with the order, AFM-700 creates the Project setup transaction in the financial system which records the UCO with Advance in the financial system.

Management did not design a control to record UCOs with Advance transactions timely in accordance with the United States Standard General Ledger. Specifically, we identified one instance in which FAA received and recorded an advance payment in FY 2021 for an RA that had previously been signed but did not record the corresponding UCO with Advance transaction until FY 2022.

Recommendation

We recommend that FAA assess the risks associated with recording UCOs with Advance within its business process, and design and implement a control activity to ensure timely and accurate recording of UCOs with Advance for which an advance payment associated with the RA has been received.

Weakness in the Controls Over Timely Deobligation of Grant UDOs (NFR FAA-2022-05)

Background/Condition

As of September 30, 2022, FAA had approximately $13.7B in total grant undelivered orders (UDOs). FAA and its grant recipients (grantees) must comply with various of laws, regulations, administrative, and financial requirements, depending on the nature of the grant and grantee. FAA's grants have a maximum period of performance of four years from the date of execution, and grantees are required to submit closeout documentation within 90 days after the end of the period of performance for any grants with an award date prior to November 11, 2020, though FAA may extend these deadlines in certain circumstances. Per 2 Code of Federal Regulations (CFR) § 200.343, FAA has a maximum of one year from the receipt and acceptance of the closeout documentation to complete all closeout actions. Per 2 CFR § 200.344, the recipient must submit, no later than 120 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award for any grants issued on or after November 12, 2020.

Management did not design a control to timely deobligate grant UDOs in the closeout phase of the grant process. We identified one instance for which FAA did not deobligate an Airport Improvement Program (AIP) grant UDO that had exceeded its period of performance and the grantee's closeout period and had receipted grantee closeout documentation. The grantee had provided the grant closeout documentation to FAA more than a year prior, indicating that the remaining obligated funds were no longer required or requested.

Recommendation

We recommend that FAA design and implement controls to perform a risk assessment for instances in which an AIP grant agreement remains open only for non-financial administrative or compliance requirements and respond to the risk of untimely deobligation of grant UDOs.

Completeness and Accuracy of Future Minimum Lease Payments (FMLP) Disclosure and Underlying GSA Lease Population (NFR FAA-2022-06)

Background/Condition

The FAA occupies real property that is leased by the DOT from the General Services Administration (GSA). FAA also has separate leasing authority to enter into leases with non-federal parties. FAA makes lease expense payments based on contractual terms for all leases.

For GSA leases, FAA pays GSA via Intra-Governmental Payment and Collection based on statements from GSA's Rent on the Web tool. FAA discloses both cancellable and non-cancellable operating leases in their lease disclosure.

Management's controls were not designed or operating effectively to ensure that the population of GSA leases is complete and accurate. Specifically, we identified three GSA leases where updates to the lease terms or costs resulting from a renewal or modification were not reflected in the population.

Recommendations

We recommend that FAA:

1. Design and implement controls to ensure that the population generated to support the disclosure of future minimum lease payments is complete and accurate.
2. Develop policies to define the scope of the lease disclosure.

Ineffective Review of Payroll Shared Service Center Access Requests (NFR FAA-2022-07)

Background/Condition

DOT engages various external parties to perform select operations on its behalf. These service organizations include, but are not limited to, a payroll provider to process personnel actions and payroll transactions.

In FY 2022, FAA management's internal controls over provisioning user access requests to the service organization system were not operating effectively. Specifically, FAA did not properly document:

- The timely and appropriate Security Point of Contact (SPOC) review of three user access requests.
- The supervisor review of one user access request.

Recommendations

We recommend that FAA management:

1. Design and implement control activities to monitor the effective operation of its process controls related to provisioning new payroll shared service center access requests.
2. Develop policies and procedures for maintaining completed and authorized payroll shared service center access forms for new user access requests in a secure centralized location.

Access to Payroll Shared Service Center for Certain FAA Employees Not Timely Revoked (NFR FAA-2022-08)

Background/Condition

DOT engages various external parties to perform select operations on its behalf. These service organizations include, but are not limited to, a payroll provider to process personnel actions and payroll transactions.

In FY 2022, FAA management's internal controls over user access to the service organization system were not operating effectively. Specifically, FAA did not timely:

- Disable access to the payroll shared service center for two (2) users who separated from FAA during FY 2022 upon their separation.
- Remove access for sixteen (16) users who the SPOC identified for removal from the payroll shared service center during the annual FY 2022 payroll shared service center recertification process. The SPOC did not remove the identified users during the completion of the review as indicated on the SPOC's documented form.

Recommendations

We recommend that FAA management:

1. Design and implement control activities to monitor the effective operation of its process controls related to monitoring FAA employees' payroll shared service center access.

2. Take measures to ensure that FAA has sufficient control operator personnel available to support the annual recertification of FAA employees with payroll shared service center access within the reporting timeline prescribed by DOT.

U.S. Department of Transportation
Office of Inspector General

Fraud & Safety Hotline

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