
Office of Inspector General

Audit Report

QUALITY CONTROL REVIEW OF THE MANAGEMENT LETTER FOR THE AUDIT OF FISCAL YEARS 2016 AND 2015 FINANCIAL STATEMENTS

National Transportation Safety Board

Report Number: QC-2017-017

Date Issued: November 30, 2016





U.S. Department of
Transportation
Office of the Secretary
of Transportation

Office of Inspector General
Washington, DC 20590

November 30, 2016

The Honorable Christopher A. Hart
Chairman
National Transportation Safety Board
490 L'Enfant Plaza, SW
Washington, DC 20594

Dear Chairman Hart:

I am pleased to transmit the enclosed management letter in connection with the audit of the National Transportation Safety Board's (NTSB) financial statements as of and for the years ended September 30, 2016 and September 30, 2015. Allmond & Company, LLC (Allmond) of Landover, MD, completed the audit under contract to the Office of Inspector General. The contract required Allmond to perform the audit in accordance with generally accepted Government auditing standards and Office of Management and Budget (OMB) Bulletin 15-02, "Audit Requirements for Federal Financial Statements." Allmond issued an auditor's report, dated November 6, 2016, that included a clean (unmodified) opinion on NTSB's financial statements.¹

As part of its audit, Allmond issued, and is responsible for, the enclosed management letter identifying an internal control matter that requires NTSB management's attention. Allmond was not required to include this matter or the related recommendation in its auditor's report. Specifically, Allmond reported that NTSB incorrectly calculated its retirement service cost by using all pay data (basic pay, awards, premium pay, etc.) instead of just basic pay data, and made one related recommendation. NTSB officials concurred with Allmond's recommendation and committed to implementing corrective actions.

¹ *Quality Control Review of Audited Financial Statements for Fiscal Years 2016 and 2015* (National Transportation Safety Board), OIG Report Number QC-2017-012, November 14, 2016. OIG reports can be found on our Website, www.oig.dot.gov.

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

We appreciate the cooperation and assistance of NTSB's representatives and Allmond. If you have any questions, please call me at (202) 366-1407, or George Banks, Program Director, at (410) 962-1729.

Sincerely,



Louis C. King
Assistant Inspector General for Financial and
Information Technology Audits

Enclosure

**NATIONAL TRANSPORTATION SAFETY BOARD
MANAGEMENT LETTER REPORT
SEPTEMBER 30, 2016**



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MANAGEMENT LETTER REPORT

Chairman, National Transportation Safety Board
Inspector General, U.S. Department of Transportation

We audited the National Transportation Safety Board (NTSB) financial statement as of September 30, 2016 and for the year then ended and issued our report dated November 6, 2016 under separate cover.

In planning and performing our audit, we considered NTSB internal control to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

During the audit, we noted an additional matter involving internal control and NTSB operation that we think warrant management's attention. A discussion of this matter forms the remainder of this report. The scope of this report is all matters not considered a significant deficiency and/or material weakness involving NTSB operations.

This report is for the information and use of NTSB management.

We appreciate your assistance and cooperation during the audit and look forward to serving you in the near future.

Sincerely,

Allmond & Company, LLC

November 16, 2016

Allmond & Company audited the accompanying balance sheet of the National Transportation Safety Board (NTSB) as of September 30, 2016, and the related statements of net cost, changes in net position, and statements of budgetary resources for the years then ended (financial statements). We noted an additional matter involving the internal control and NTSB operation that we think warrant management's attention; however, they were not considered significant deficiencies and/or material weaknesses.

Under standards issued by the American Institute of Certified Public Accountants, a control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects NTSB ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is remote likelihood that a misstatement of NTSB financial statements that is more than inconsequential will not be prevented or detected by NTSB internal controls. Material weaknesses, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by NTSB internal controls. There were no significant deficiencies or material weakness noted during our audit of NTSB FY 2016 financial statements.

We noted the following control deficiency during our audit:

1. Imputed Costs Computation.

The condition is discussed in detail in the finding outlined below:

FINDING 1: Imputed Cost Computation

During our review of National Transportation Safety Board (NTSB) fiscal year (FY) 2016 Office of Personnel Management (OPM) Imputed Costs computation we noted NTSB calculated its retirement service cost using all pay data (basic pay, awards, premium pay, etc) for employees in enrolled into the various retirement programs rather than only basic pay data as instructed by OPM:

The Office of Personnel Management's (OPM) Benefits Administration Letter 03-309, which provides detailed instruction for computing and accounting for imputed costs states that "basic pay is the portion of gross pay from which agencies withhold CSRS and FERS deductions."

NTSB did not exclude the Budget Object Class (BOC) codes for overtime, awards, and lump sum pay when determining basic pay for employees participating in the various OPM retirement programs.

NTSBs' financial statements and notes were impacted as follows:

- Imputed Financing Sources in the Statement of Net Position was overstated by a known amount of \$387,806.
- Intragovernmental Gross Cost in the Statement of Net Costs was overstated by a known amount of \$387,806.
- Imputed Financing Sources reported in Reconciliation of Net Cost of Operation to Budget Note in the financial statements is overstated by a known amount of \$387,806.

RECOMMENDATION

We recommend the Office of Chief Financial Officer (OCFO) ensure that basic pay data used to compute imputed costs is complete and accurate. Specifically, we recommend that NTSB implement an internal control procedure requiring an independent review to be performed over the OPM imputed cost calculation to ensure the calculation is accurate and the appropriate basic pay amounts are used.

MANAGEMENT'S RESPONSE

NTSB agrees with the finding. Prior to FY 2016 the inappropriate BOCs were excluded from the calculation. We will reinstitute the previous process and require review by a knowledgeable senior person outside the accounting operations staff.

AUDITORS' RESPONSE

We will conduct follow-up procedures in FY 2017 to determine whether corrective actions have been developed and implemented.