QUALITY CONTROL REVIEW OF AUDITED FINANCIAL STATEMENTS FOR FY 2008 AND FY 2007

Federal Aviation Administration’s Administrative Services Franchise Fund

Report Number: QC-2009-006
Date Issued: November 10, 2008
The audit of the Federal Aviation Administration’s Administrative Services Franchise Fund Financial Statements as of and for the year ended September 30, 2008, was completed by the Reznick Group, P.C., of Bethesda, Maryland (see Attachment). We performed a quality control review of the audit work to ensure that it complied with applicable standards. These standards include Generally Accepted Government Auditing Standards; and Office of Management and Budget Bulletin 07-04, “Audit Requirements for Federal Financial Statements,” as amended.

The Reznick Group concluded that the financial statements present fairly, in all material respects, the Franchise Fund’s assets, liabilities, and net position as of September 30, 2008; and 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. Last year’s Franchise Fund financial statements were audited by other auditors, who also expressed an unqualified opinion on those statements.1

The Reznick Group reported three significant internal control deficiencies and one instance of noncompliance with laws and regulations.

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**Significant Deficiencies**

1. Reconciliation Variances – Unfilled Customer Orders  
2. Timely Liquidation of Advances  
3. Collection of Government Accounts Receivable

**Noncompliance with Laws and Regulations**

1. Noncompliance with Public Law 104-205, Federal Aviation Administration - Administrative Services Franchise Fund

The Reznick Group made six recommendations for corrective action. Therefore, we are making no additional recommendations. Franchise Fund officials concurred with the significant deficiencies and noncompliance, and likewise agreed with the recommendations. Franchise Fund officials committed to implement the corrective actions by January 31, 2009. In accordance with DOT Order 8000.1C, the corrective actions taken in response to the recommendations are subject to follow-up.

In our opinion, the audit work performed by the Reznick Group complied with applicable standards.

We appreciate the cooperation and assistance of Federal Aviation Administration, Franchise Fund, and Reznick Group representatives. If we can answer any questions, please call me at (202) 366-1407; or Earl C. Hedges, Program Director, at (410) 962-1729.

Attachment

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