



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 2003 and 2002, FAA
QC-2004-008

Date: December 19, 2003

From: Kenneth M. Mead
Inspector General

Reply

To

Attn JA-20:x61496

Of:

To: The Secretary
Federal Aviation Administrator

The audit of the Federal Aviation Administration's (FAA) Financial Statements as of and for the years ended September 30, 2003, and September 30, 2002, was completed by KPMG LLP (KPMG) of Washington, D.C. (See Attachment.) We performed a quality control review of the audit work to determine compliance with applicable standards. These standards include the Chief Financial Officers Act; Government Auditing Standards; and Office of Management and Budget Bulletin 01-02, Audit Requirements for Federal Financial Statements.

The KPMG audit report presented an unqualified opinion, also known as a "clean" opinion, on the FAA financial statements, and we concur with this opinion. The report presented no material internal control weaknesses but did present the following three reportable internal control conditions:

1. Controls over property, plant, and equipment;
2. Process for estimating environmental liabilities; and
3. Information technology controls over FAA and third-party systems and applications.

The report also identified instances of noncompliance with the Federal Financial Management Improvement Act of 1996, and the Anti-Deficiency Act, as amended.

KPMG made eight recommendations for corrective actions. We agree with the KPMG recommendations. In accordance with the Department of Transportation Order 8000.1C, we would appreciate receiving your written comments within

15 days. If you concur with the recommendations, for each recommendation, please indicate the specific actions taken and planned, along with estimated completion dates for planned actions.

In our opinion, the audit work performed by KPMG complied with applicable standards. Therefore, we are not making any additional recommendations.

We appreciate the cooperation and assistance of FAA and KPMG representatives. If we can answer any questions, please call me at (202) 366-1959, or Ted Alves at (202) 366-1496.

Attachment

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