



Highlights

Quality Control Review of the Management Letter for the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Year 2025

Mandated by the Chief Financial Officers Act of 1990

Our Objective(s)

To perform a quality control review (QCR) of KPMG LLP's management letter related to the audit of the DOT's consolidated financial statements as of and for the fiscal year ended September 30, 2025. We reviewed KPMG's management letter, dated January 29, 2026, and related documentation.

About This Report

We contracted with the independent public accounting firm KPMG LLP to audit DOT's consolidated financial statements. KPMG also issued a management letter discussing internal control matters that KPMG was not required to include in its audit report.

What We Found

The independent auditor, KPMG, found eight internal control matters in DOT's management of operations:

- Weakness exists within the Federal Highway Administration grant management system change management process,
- Weaknesses exist within the user access application change management process,
- Weaknesses in password requirements for the user access application database,
- Weaknesses in new user provisioning process for grant management system operating system,
- Weaknesses in the frequency of the Office of the Chief Information Officer administrator access semi-annual review,
- Weaknesses within the Federal Transit Administration (FTA) general user base review and privileged access review,
- Weaknesses in Federal Aid grant accrual assumptions, and
- Weaknesses in FTA's review of grant accrual calculations.

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



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We agree with KPMG's 10 recommendations to help strengthen DOT's information system and business process controls.

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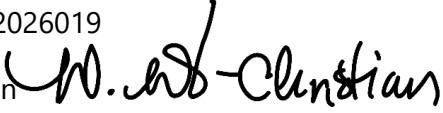
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Memorandum

Date: February 25, 2026

Subject: INFORMATION: Quality Control Review of the Management Letter for the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Year 2025 | Report No. QC2026019

From: Dormayne "Dory" Dillard-Christian 
Assistant Inspector General for Financial, Procurement and IT audits

To: Deputy Assistant Secretary for Budget and Programs

I am pleased to transmit the attached management letter for the audit of the Department of Transportation's (DOT) consolidated financial statements for fiscal year 2025. KPMG, LLP completed the audit under contract with us. The contract required the audit to be performed in accordance with U.S. generally accepted Government auditing standards, Office of Management and Budget audit guidance, and the Government Accountability Office's (GAO) and Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.¹ KPMG issued an auditors' report² that included a clean (unmodified) opinion on DOT's financial statements.

KPMG also issued, and is responsible for, a management letter, dated January 29, 2026 (see attachment), identifying eight internal control matters that require DOT management's attention. KPMG was not required to include these matters or the related recommendations in its auditors' report.

We appreciate the cooperation and assistance of DOT'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

¹ GAO, *Financial Audit Manual*, volume 1 (GAO-25-107705), June 2025; volume 2 (GAO-24-107279), June 2024; and volume 3 (GAO-25-107707), August 2025.

² See *Quality Control Review of the Independent Auditors' Report on the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Year 2025* (OIG Report No. QC2026011), January 16, 2026. OIG reports are available on our website at <http://www.oig.dot.gov>.

Summary of Independent Auditors' Management Letter

In its management letter, KPMG reported the following matters regarding DOT's general information technology controls and business process controls that require management's attention.

General Information Technology Controls

Weakness Exists Within the FHWA Grant Management System Change Management Process

Management's control over the grant management system change management process was not operating effectively during fiscal year 2025. Specifically, one of the five selected changes was pushed to production without documented approval by the portfolio manager. In accordance with the Federal Highway Administration (FHWA) Change and Configuration Management Process, change requests must have documented approval prior to implementation.

Weaknesses Exist Within the User Access Application Change Management Process

Management's control over the FHWA user access application change management process was not suitably designed and implemented. Management could not provide the testing documentation required by the FHWA Configuration and Change Management Process for the one change selected for testing. Additionally, management approved the "Final Pre-Implementation Checklist" for this change two months after implementation.

Weaknesses in Password Requirements for User Access Application Database

Management's control over the user access application Database Password Authentication process was not implemented during fiscal year 2025. Specifically, the user access application "Password Verify Function" was set to "NULL", indicating that there were no password complexity requirements utilized for the local Database Administrator, as well as for the "SYS" and "SYSTEM" accounts utilized within the system.

Weaknesses in New User Provisioning Process for Grant Management System's Operating System

Management's control over the creation of new administrators within the grant management system's operating system did not operate effectively during fiscal

year 2025. Specifically, for one out of seven administrators selected for testing, the roles and permissions granted were not clearly identified and documented within a new access request form/ticket.

Weaknesses in the Frequency of the OCIO Administrator Access Semi-Annual Review

Management's control to periodically review accounts within FHWA grant management system database, FHWA grant management system's operating system, and FHWA user access application database was not properly designed and implemented during fiscal year 2025. Specifically, the review performed over these systems and information technology layers was performed semi-annually. The DOT Office of the Chief Information Officer (OCIO) Cybersecurity Compendium Workbook requires a quarterly access review.

Weaknesses Within the Federal Transit Administration (FTA) General User Base Review and Privileged Access Review

Management's control to periodically review accounts within the integrated Appian platform applications was not operating effectively during fiscal year 2025. Specifically, the integrated Appian platform user access review was performed annually for non-privileged users and semi-annually for privileged users. The DOT OCIO Cybersecurity Compendium Workbook requires all access reviews to occur quarterly.

Business Process Controls

Weaknesses in Federal Aid Grant Accrual Assumptions

During fiscal year 2025, FHWA did not timely identify the need for changes in their grant accrual assumptions or method in response to the significant variance identified in their fiscal year 2024 quarter 4 Grant Accrual lookback analysis. While FHWA later conducted additional analysis of historical data and included an advance construction adjustment in their estimation methodology, this update was completed subsequent to auditor inquiry and not in response to results of their formal lookback process.

Weaknesses in FTA's Review of Grant Accrual Calculations

Management's controls were not operating effectively to validate the accuracy of all inputs used in the calculation of the grant accrual. Specifically, KPMG identified instances where the incorrect number of historical days or billing cycle days was used in the grant accrual calculation as follows:

- Six accrual categories where the historical days used in the calculations were 30 or 90 days in error when it should have been 365 days.
- Two accrual categories, for new appropriations, where the historical days used in the calculations were 365 days in error when it should have been 30 or 180 days.
- Four accrual categories where the incorrect number of billing cycles days were used in the calculations.

Recommendations

To strengthen the Department of Transportation's (DOT) general information technology controls and business process controls, KPMG recommended that:

1. Federal Highway Administration (FHWA) management enforce the FHWA Configuration and Change Management Process to ensure that approvals and documentation related to application changes are completed in accordance with National Institute of Standards and Technology (NIST) 800-53, DOT, and system requirements.
2. FHWA management enforce the change management requirements per the DOT Compendium and the FHWA Configuration and Change Management Process policy to ensure testing and approvals are appropriately performed and documented for each change.
3. User access application management implement and enforce the password complexity requirements in accordance with NIST 800-53, Office of the Chief Information Officer (OCIO) Cybersecurity Compendium Workbook, and the application's System Security Plan.
4. OCIO management enforce required policies and procedures to ensure that roles and permissions are clearly identified, documented, and approved within a new access request form/ticket prior to provisioning administrator access within the grant management system's operating system.
5. FHWA and OCIO management implement a quarterly access review of user access configured within the FHWA grant management system and user access application databases and the FHWA grant management system's operating system in accordance with DOT OCIO, Cybersecurity Compendium Workbook.

6. FTA management implement a quarterly access review process over all integrated Appian platform access reviews in accordance with the DOT Compendium.
7. FHWA management further refine and enhance their estimation methodology to ensure it remains responsive to future expense fluctuations, including conducting timely comprehensive risk assessment as a result of their quarterly lookback process.
8. Federal Transit Administration (FTA) enhance and finalize the FTA Grant Accrual Standard Operating Procedure (SOP) to more clearly outline the historical day calculation methodology used in the accrual calculation.
9. FTA ensure the review process is sufficient to identify any deviations from the outlined policy.
10. FTA communicate the finalized SOP to preparers of the grant accrual workbook to ensure appropriate understanding of the enhanced methodology and review requirements.

DOT officials concurred with KPMG's 10 recommendations and committed to providing a detailed action plan to address the findings issued 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 quality control review (QCR) of KPMG's management letter and related documentation. Our QCR disclosed no instances in which KPMG did not comply, in all material respects, with U.S. generally accepted Government auditing standards.

Exhibit. List of Acronyms

DOT	U.S. Department of Transportation
FHWA	Federal Highway Administration
FTA	Federal Transit Administration
GAO	Government Accountability Office
NIST	National Institute of Standards and Technology
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
QCR	quality control review
SOP	standard operating procedure

Attachment. Independent Auditors' Management Letter



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

January 29, 2026

Secretary, U.S. Department of Transportation
Deputy Inspector General, performing the duties of the Inspector General,
U.S. Department of Transportation
Washington, D.C.

Ladies and Gentlemen:

In planning and performing our audit of the consolidated financial statements of the U.S. Department of Transportation (Department/DOT) as of and for the year ended September 30, 2025, 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. 24-02, *Audit Requirements for Federal Financial Statements*, we considered the Department'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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 January 14, 2026 on our consideration of the Department'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 communicated in our report dated January 14, 2026, we identified the following deficiencies in internal control related to general information technical controls and business process controls that are summarized in Exhibit I for your consideration.

Matters specific to our audit of the Federal Aviation Administration (FAA) consolidated financial statements have been communicated to the Deputy Inspector General, performing the duties of the Inspector General, and the FAA Administrator in a separate letter.

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 Controls

Weakness Exists within the FHWA Grant Management System Change Management Process (DOT-2025-FHWA-IT-01)

Background/Condition

The Federal Highway Administration (FHWA) utilizes a user access application, which provides various control environment related capabilities for the FHWA grant management system. The FHWA grant management system is the financial system responsible for managing and processing financial data and transactions in FHWA.

Management's control over the grant management system change management process was not operating effectively during Fiscal Year (FY) 2025. Specifically, one (1) of the five (5) selected changes was pushed to production without documented approval by the portfolio manager. In accordance with the FHWA Change and Configuration Management Process, change requests must have documented approval prior to implementation.

Recommendation

We recommend that FHWA management enforce the FHWA Configuration and Change Management Process to ensure that approvals and documentation related to application changes are completed in accordance with the National Institute of Standards and Technology (NIST) 800-53, DOT, and system requirements.

Weaknesses Exist within the User Access Application Change Management Process (DOT-2025-FHWA-IT-04)

Condition

Management's control over the FHWA user access application change management process was not suitably designed and implemented as management could not provide the testing documentation required by the FHWA Configuration and Change Management Process for the one change selected for testing. Additionally, management approved the "Final Pre-Implementation Checklist" for this change two months after implementation.

Recommendation

We recommend that FHWA management enforce the change management requirements per the DOT Compendium and the FHWA Configuration and Change Management Process policy to ensure testing and approvals are appropriately performed and documented for each change.

Weaknesses in Password Requirements for the User Access Application DB (DOT-2025-OCIO-IT-03)

Background/Condition

FHWA utilizes Information Technology Shared Services (ITSS) to provide various control environment related capabilities for their grant management system and user access application. The user access application is the security control system that is used to manage user authentication and associated roles and privileges for individuals requiring access to one or more FHWA applications.

Management's control over the user access application Database Password Authentication process was not implemented during FY 2025. Specifically, the user access application "Password Verify Function" was set to "NULL" indicating that there were no password complexity requirements utilized for the local Database Administrator (DBA), "SYS" and "SYSTEM" accounts utilized within the system.

Recommendation

We recommend that user access application management implement and enforce the password complexity requirements in accordance with NIST 800-53, Office of the Chief Information Officer (OCIO) Cybersecurity Compendium Workbook, and the application's System Security Plan (SSP).

Weaknesses in New User Provisioning Process for Grant Management system OS (DOT-2025-OCIO-IT-04)

Background/Condition

The Office of the Secretary of Transportation (OST) utilizes ITSS, which is a specialized unit under OST, to provide various control environment related capabilities for the FHWA grant management system. The grant management system is an application designed for grant recipients and division users who are responsible for project funding, allowing them to manage highway funds that are made available by FHWA.

Management's control over the creation of new administrators within the grant management system's operating system did not operate effectively during FY 2025. Specifically, for 1 out of 7 administrators selected for testing, the roles and permissions granted were not clearly identified and documented within a new access request form/ticket.

Recommendation

We recommend that OCIO management enforce required policies and procedures to ensure that roles and permissions are clearly identified, documented, and approved within a new access request form/ticket prior to provisioning administrator access within the grant management system's operating system.

Weaknesses in the Frequency of the OCIO Administrator Access Semi-Annual Review (DOT-2025-OCIO-IT-05)

Condition

Management's control to periodically review accounts within the FHWA grant management system database, FHWA grant management system operating system, and FHWA user access application database was not properly designed and implemented during FY 2025. Specifically, the review performed over these systems and information technology layers was performed semi-annually. The DOT OCIO Cybersecurity Compendium Workbook requires a quarterly access review.

Recommendation

We recommend that FHWA and OCIO management implement a quarterly access review of user access configured within the FHWA grant management system and user access application databases and the FHWA grant management system operating system in accordance with the DOT OCIO, Cybersecurity Compendium Workbook.

Weaknesses within the FTA General User Base Review and Privileged Access Review (DOT-2025-FTA-IT-01)

Background/Condition

The Federal Transit Administration (FTA) utilizes an integrated Appian platform to deliver a range of control environment capabilities, comprising of applications for user access management, grant award management and grant payment management. The user access management application facilitates user management, role management, and multi-factor authentication, serving as the backbone for these functions across all Appian-based applications within the platform. The grant award management system functions as the FTA's grant-making system, while the grant payment management system handles payment processing for approved grants.

In FY 2024, the DOT Compendium was updated to reflect NIST 800-53 Rev 5. During this update, the frequency of user access reviews was modified from semi-annual for privileged users and annual for non-privileged users to quarterly for all users. This frequency increase has caused some previously effective access reviews to fall out of compliance.

Management's control to periodically review accounts within the integrated Appian platform applications was not operating effectively during FY 2025. Specifically, the integrated Appian platform user access review was performed annually for non-privileged users and semi-annually for privileged users. The DOT OCIO Cybersecurity Compendium Workbook requires all access reviews to occur quarterly.

Recommendation

We recommend that FTA management implement a quarterly access review process over all integrated Appian platform access reviews in accordance with the DOT Compendium.

B. Business Process Controls

Weaknesses in Federal Aid Grant Accrual Assumptions (DOT-2025-01)

Background/Condition

The Federal Highway Administration (FHWA) maintains various grant programs and records an estimated quarterly grant accrual for the Federal-aid program, which is calculated using annual survey responses from states and 3 years of historical outlays information. FHWA performs a quarterly lookback analysis over the accuracy of their grant accrual calculation. In fiscal year (FY) 2022, Federal-aid received \$52.5 billion in additional funding over five years through the Infrastructure Investment and Jobs Act (IIJA) to support transportation infrastructure projects. Further, FHWA will receive additional annual funding through IIJA through 2026. FHWA identified that various states converted Advance Construction Projects using higher redistribution authority gained in FY 2024 and due to the maturation of IIJA projects.

During FY 2025, FHWA did not timely identify the need for changes in their grant accrual assumptions or method in response to the significant variance identified in their FY 2024 Q4 Grant Accrual lookback analysis. While FHWA later conducted additional analysis of historical data and included an advance construction adjustment in their estimation methodology, this update was completed subsequent to auditor inquiry and not in response to results of their formal lookback process.

Recommendations

We recommend that FHWA management further refine and enhance their estimation methodology to ensure it remains responsive to future expense fluctuations, including conducting a timely comprehensive risk assessment as a result of their quarterly lookback process.

Weaknesses in FTA's Review of Grant Accrual Calculations (DOT-2025-02)

Background/Condition

The Federal Transit Administration (FTA) provides grants to states, local municipalities, and other entities for public transportation projects. In FY2025, FTA entered into an interagency agreement with the Enterprise Services Center (ESC) to prepare the quarterly grant accrual calculation to account for grantee expenses incurred but not yet billed to FTA. The grant accrual is manually calculated by an ESC accountant using the most recent annual survey of grantees and historical outlays data and performed on a quarterly basis.

Management's controls were not operating effectively to validate the accuracy of all inputs used in the calculation of the grant accrual. Specifically, we identified instances where the incorrect number of historical days or billing cycle days was used in the grant accrual calculation as follows:

- Six accrual categories where the historical days used in the calculations were 30 or 90 days in error when it should have been 365 days.
- Two accrual categories, for new appropriations, where the historical days used in the calculations were 365 days in error when it should have been 30 or 180 days.
- Four accrual categories where the incorrect number of billing cycles days were used in the calculations.

Recommendations

We recommend that FTA:

- Enhance and finalize the FTA Grant Accrual Standard Operating Procedure (SOP) to more clearly outline the historical day calculation methodology used in the accrual calculation.
- Ensure the review process is sufficient to identify any deviations from the outlined policy.
- Communicate the finalized SOP to preparers of the grant accrual workbook to ensure appropriate understanding of the enhanced methodology and review requirements.

U.S. Department of Transportation
Office of Inspector General

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