





# Highlights

## Quality Control Review of the Management Letter for the Federal Aviation Administration'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 Federal Aviation Administration's (FAA) financial statements for fiscal year 2025. We reviewed KPMG's management letter, dated January 28, 2026, and related documentation.

### About This Report

We contracted with the independent public accounting firm KPMG to audit FAA's 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 four internal control matters in FAA's management of operations:

- Weaknesses in documenting review of FAA procurement system users during non-routine provisioning,
- Weaknesses in the recording of right-to-use leases,
- Weaknesses in ESC's review of manual journal entries, and
- Untimely review of year-end journal vouchers.

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 four recommendations to help strengthen FAA's information technology and service organization system and business processes.

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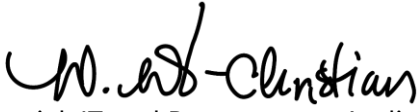
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## Memorandum

Date: February 25, 2026

Subject: INFORMATION: Quality Control Review of the Management Letter for the Federal Aviation Administration's Audited Consolidated Financial Statements for Fiscal Year 2025 | Report No. QC2026017

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

To: Federal Aviation Administrator

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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 year 2025. KPMG LLP completed the audit under contract with us. The contract required that KPMG perform the audit in accordance with U.S. generally accepted Government auditing standards, and the 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*.<sup>1</sup> KPMG issued an auditor's report<sup>2</sup> that included a clean (unmodified) opinion on FAA's financial statements.

KPMG also issued, and is responsible for, a management letter, dated January 28, 2026 (see attachment), identifying four internal control matters 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.

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

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<sup>1</sup> GAO, *Financial Audit Manual*, Volume 1 (GAO-25-107705), June 2025; Volume 2 (GAO-24-107279), June 2024; Volume 3 (GAO-25-107707), August 2025.

<sup>2</sup> See *Quality Control Review of the Independent Auditor's Report on the Federal Aviation Administration's Audited Consolidated Financial Statements for Fiscal Year 2025* (OIG Report No. QC2026010), January 16, 2026. OIG reports are available on our website at <http://www.oig.dot.gov>.

DOT Audit Liaison, M-1  
FAA Audit Liaison, AAE-001

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# Summary of Independent Auditor's Management Letter

In its management letter, KPMG reported the following deficiencies pertaining to general information technology and service organization system controls, as well as business process controls.

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## Weaknesses in Documenting the Review of FAA Procurement System Users During Non-Routine Provisioning

A user requiring new or modified access to FAA's procurement system completes a new user access form and sends it to an FAA supervisor or contracting officer's representative for review and signature. This ensures that the access requested is commensurate with what is needed to complete daily functions. Procurement system site administrators review the completed form, complete a new user checklist, provide the procurement system user's access accordingly, and sign off on the form once completed. However, for one new system user that required a non-routine access provisioning for business needs, a system administrator did not document the review and approval of the new user's access. Specifically, the administrator did not sign the new user access form nor complete the new user checklist.

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## Weaknesses in the Recording of Right-to-Use Leases

FAA commonly contracts a right-to-use lease of both real and personal property from non-intragovernmental parties as a lessee. According to its new policy implementing the Statement of Federal Financial Accounting Standards (SFFAS) 54 - Leases, FAA must assess whether a contract or agreement meets the definition of a lease as established by SFFAS 54, including assessing if there is a defined period or performance in the contractual arrangement as well as if FAA has the right to control access to the economic benefits or services of the underlying, tangible asset.

However, management's controls were not operating effectively to ensure that FAA's leases were recorded timely based on the lease term, in accordance with SFFAS 54. Specifically, for one right-to-use lease, management did not assess the lease commencement date accurately and thus did not record the lease timely as

of September 30, 2024, because the lease contained certain clauses, related to the timing of rent commencement, occupancy, and free rent periods, that are not typically contained in FAA's leases.

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## **Weaknesses in ESC's Review of Manual Journal Entries**

The Enterprise Services Center (ESC) has blanket authority to prepare, approve, and post various journal vouchers for FAA in accordance with FAA policy. ESC policy requires that all such entries go through an appropriate level of review, and each step is performed by a different individual. Approvers review each journal voucher to ensure that the entry is appropriate. This review includes ensuring the entry is complete, accurate, and supported by adequate documentation. However, ESC's controls were not operating effectively to validate that the manual journal vouchers were consistent with the supporting documentation. Specifically, for one journal voucher, the supporting documentation indicated the business event included an intragovernmental transaction and referenced a trading partner that was not included within the corresponding attribute field in the approved journal voucher.

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## **Untimely Review of Year-End Journal Vouchers**

FAA operates a manual process requiring the review of all manual journal vouchers posted to the general ledger, including the review of relevant supporting documentation. FAA's policy indicates that preparers submit all manual journal vouchers and supporting documentation to the Financial Statements Branch within the Office of Financial Management for review after posting in the FAA's financial management system. The Director of Financial Management is also required to review all journal vouchers with debit entries totaling at least \$50 million. While journal vouchers may be posted to the financial management system prior to all reviews, management's policy is that all journal vouchers must be reviewed within the established review period by all applicable reviewers. FAA manually tracks the review of all journal vouchers subject to the review process using a journal voucher log control to verify that all Headquarters journal vouchers are reviewed timely by the required individual in accordance with FAA's policy.

Management's control log documentation identified 15 journal vouchers that were reviewed later than the established review period for the September 2025 accounting period. Specifically, management's control log documentation noted

that the Financial Statements Branch review was completed within the policy review period for the journal vouchers; however, the Director of Financial Management review was not completed timely. According to management, the delay in the review was due to the other competing critical financial reporting and operational responsibilities following the Federal government furloughs, in addition to the high volume of journal vouchers.

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## Recommendations

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

1. Establish policies and procedures for granting procurement system access to users provisioned outside of the recurring new user process, including documented justification and approval by a system administrator.
2. Provide additional resources or training for appropriately assessing and recording lease terms with similar circumstances in accordance with existing policies and procedures.
3. Consider designing modified financial reporting controls as part of government furlough planning and reassess the nature of journal vouchers requiring the Director of Financial Management review.

KPMG also recommended that ESC:

4. Communicate to journal voucher preparers and reviewers a reminder regarding their responsibility to review supporting documentation for indicators of intragovernmental transactions and ensure trading partner attributes are included as appropriate while preparing and reviewing manual journal vouchers.

FAA and ESC concurred with KPMG's four recommendations and committed to take corrective actions 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.

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## 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.

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## Exhibit. List of Acronyms

DOT	Department of Transportation
ESC	Enterprise Services Center
FAA	Federal Aviation Administration
GAO	Government Accountability Office
OIG	Office of Inspector General
QCR	quality control review
SFFAS	Statement of Federal Financial Accounting Standards

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**Attachment.** Independent Auditor's Management Letter



KPMG LLP  
Suite 12000  
1801 K Street, NW  
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January 28, 2026

Administrator, Federal Aviation Administration  
Deputy Inspector General, performing the duties of the Inspector General, United States Department of Transportation  
Washington, DC

To the management of the Federal Aviation Administration:

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, 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 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 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 January 13, 2026, on our consideration of FAA's internal control over financial reporting in which we communicated certain deficiencies in internal control that we consider to be significant deficiencies.

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 deficiencies communicated in our report dated January 13, 2026, we identified the following deficiencies in internal control related to general information technology controls and business process controls that are summarized in Exhibit I for your consideration.

The 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 Service Organization System Controls****Weaknesses Exist in Documenting Review of FAA Procurement System Users During Non-Routine Provisioning (DOT-2025-FAA-IT-01)***Background/Condition*

The FAA Procurement System is a commercial off-the-shelf product designed to process and track procurement documents such as purchase requests, procurement contracts, solicitations, and purchase orders for products and services.

For users requiring new or modified access, a new user access form is completed and signed by the user and sent to a FAA supervisor or contracting officer's representative for review and signature to ensure that access requested is commensurate with what is needed to complete daily functions. The site administrators review the completed form, complete a new user checklist, provide the user's access accordingly, and sign off on the form once completed. This process occurs on a recurring basis as individuals require new or modified system access in accordance with business needs.

However, the access control was not designed effectively to address provisioning that occurs outside of the recurring new user process. For one new system user that required non-routine access provisioning for business needs, a system administrator did not document the review and approval of the new user's access. Specifically, the administrator did not sign the new user access form nor complete the new user checklist because management lacked documented policies and procedures for addressing non-routine user provisioning.

*Recommendation*

We recommend FAA Management establish policies and procedures for granting access to users provisioned outside of the recurring new user process, including documented justification and approval by a system administrator.

**B. Business Process Controls****Weaknesses in the Recording of Right-to-Use Leases (FAA-2025-01)***Background/Condition*

FAA commonly enters into contracts for the lease of both real and personal property from non-intragovernmental parties as a lessee (right-to-use leases). In FY2024, FAA implemented a new lease policy to align with the implementation of the standard Statement of Federal Financial Accounting Standards (SFFAS) 54: *Leases*, which altered the recognition, measurement, and disclosure of lease-related activity. This policy states that FAA must assess whether a contract or agreement meets the definition of a lease as established by SFFAS 54, including assessing if there is a defined period or performance in the contractual arrangement as well as if FAA has the right to control access to the economic benefits or services of the underlying, tangible asset. To mitigate the risk of incorrect input of data into the property management system, management performs a review of the Office of Financial Management, Capitalization Operations Branch (AFM-310) Abstraction Team's assessment of contracts that require abstraction and whether they contain lease agreements.

Management's controls were not operating effectively to ensure that the FAA's leases were recorded timely based on the lease term in accordance with SFFAS 54. Specifically, for one right-to-use lease, management did not assess the lease term commencement date accurately and thus did not record the lease timely as of September 30, 2024. Management did not effectively apply its existing policies and procedures because the lease contained certain clauses, related to the timing of rent commencement, occupancy, and free rent periods, that are not typically contained in FAA's leases.

*Recommendation*

We recommend FAA management provide additional resources or training for appropriately assessing and recording lease terms with similar circumstances in accordance with existing policies and procedures.

**Weaknesses in Enterprise Services Center (ESC)'s Review of Manual Journal Entries (FAA-2025-02)***Background/Condition*

The ESC has blanket authority to prepare, approve, and post various journal vouchers (JV) for FAA in accordance with FAA policy. ESC policy requires that all such entries go through an appropriate level of review, and each step is performed by a different individual. Approvers review each JV to ensure that the entry is appropriate. This review includes ensuring the entry is complete, accurate, and supported by adequate documentation. However, management did not consistently follow policies and procedures during the performance of the JV processing procedures, including verifying the journal voucher was aligned with the supporting documentation and intragovernmental nature of the transaction.

Management's controls were not operating effectively to validate that the manual journal vouchers were consistent with the supporting documentation in accordance with policy. Specifically, for one JV, the supporting documentation indicated the business event included an intragovernmental transaction and referenced a trading partner that was not included within the corresponding attribute field in the approved journal voucher.

*Recommendation*

We recommend the ESC communicate to JV preparers and reviewers a reminder regarding their responsibility to review supporting documentation for indicators of intragovernmental transactions and ensure trading partner attributes are included as appropriate while preparing and reviewing manual JV.

**Untimely Review of Year-End Journal Vouchers (FAA-2025-05)***Background/Condition*

FAA operates a manual process requiring the review of all manual JVs posted to the general ledger, including the review of relevant supporting documentation. FAA's policy indicates that preparers submit all manual JVs and supporting documentation to the Financial Statements Branch (AFM-620) for review after posting in Delphi. Other members of management may also be required to review based on the specific nature of the JV. For example, the Director of Financial Management (AFM-1) also reviews all JVs with debit entries totaling at least \$50 million. While JVs may be posted to Delphi prior to review, management's policy is that all JVs must be reviewed within ten business days by all applicable reviewers.

FAA performs a manual control to track the review of all JVs subject to the review process (JV log control). On an ongoing basis, the control operator logs the JVs to verify that all Headquarters JVs are reviewed timely by the required individual in accordance with FAA's policy (two or more reviews are required for most JVs). The control operator finalizes the JV log control after all required reviews are complete.

Due to the furloughs of employees caused by the lapse in government funding beginning in October 2025 (government furloughs), management was not permitted to perform many financial reporting tasks, including the operation of key controls, for the duration of the government furloughs. For the purposes of monitoring the timeliness of JV reviews for the September 2025 accounting period,

management adjusted its count of business days by 19 business days when assessing the timeliness of the JV review to account for the government furloughs, which ended on November 13, 2025. As such, management did not complete all policy-required reviews timely given other critical financial reporting and operational responsibilities following the government furloughs, in addition to the high volume of JVs.

Management's controls over the timely review of Headquarters JVs were not operating effectively for the September 2025 accounting period. For instance, management's control log documentation identified 15 JVs that were reviewed 18 or more business days late, using management's count of business days adjusted for the government furlough. Management's control log documentation noted that the AFM-620 review was completed within the policy review period for the JVs; however, the AFM-1 review was not completed timely. The final JVs were reviewed on January 5, 2026, and the JV control log shortly thereafter.

*Recommendation*

We recommend management consider designing modified financial reporting controls as part of government furlough planning and reassess the nature of JVs requiring AFM-1 review.

U.S. Department of Transportation  
Office of Inspector General

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# Fraud & Safety Hotline

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