



Report QC2026016
February 24, 2026

Quality Control Review of the Management Letter for the National Transportation Safety Board's Audited Financial Statements for Fiscal Year 2025



Highlights

Quality Control Review of the Management Letter for the National Transportation Safety Board's Audited Financial Statements for Fiscal Year 2025

Mandated by the Accountability of Tax Dollars Act of 2002

Our Objective(s)

To perform a quality control review (QCR) of Allmond & Company, LLC's (Allmond) management letter related to the audit of NTSB's financial statements for fiscal year 2025. We reviewed Allmond's management letter, dated January 7, 2026, and related documentation.

About This Report

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

What We Found

The independent auditor, Allmond, found five internal control matters in NTSB's management of operations:

- Financial statements and footnotes did not comply with Office of Management and Budget financial reporting requirements,
- Improvements needed in internal controls relating to the processing and review of employee benefit assignments,
- Improvements needed in internal control relating to performance of property inventories,
- Improvements needed in processing personnel actions, and
- Accounts payable accrual calculation duplicated expenses that were separately accrued.

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



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We agree with Allmond's nine recommendations to help strengthen NTSB's internal controls.



U.S. Department of Transportation
Office of Inspector General

February 24, 2026

The Honorable Jennifer L. Homendy
Chairwoman, National Transportation Safety Board
490 L'Enfant Plaza SW
Washington, DC 20594

Dear Chairwoman Homendy:

I am pleased to transmit the attached management letter related to the audit of the National Transportation Safety Board's (NTSB) financial statements as of and for the fiscal year ended September 30, 2025, as mandated by the Accountability of Tax Dollars Act of 2002.¹ Allmond & Company, LLC (Allmond), 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 (OMB) audit guidance, and the Government Accountability Office's (GAO) and Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.² Allmond issued an auditor's report that included a clean (unmodified) opinion on NTSB's financial statements.³

Allmond also issued, and is responsible for, a management letter, dated January 7, 2026 (see enclosure), identifying five internal control matters that require NTSB management's attention. Allmond was not required to include these matters or the related recommendations in its auditor's report.

We performed a quality control review (QCR) of the letter and related audit documentation.

¹ The Accountability of Tax Dollars Act of 2002 mandates that certain agencies not otherwise covered by law prepare audited financial statements annually. Although our office is not the Inspector General for NTSB, under 49 U.S. Code § 1137, we have the authority to review NTSB's financial management, property management, and business operations—including internal accounting and administrative control systems. Accordingly, we are authorized, but not legally obligated, to perform this review.

² 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.

³ *Quality Control Review of the Independent Auditor's Report on the National Transportation Safety Board's Audited Financial Statements for Fiscal Year 2025* (OIG Report No. QC2026008), January 14, 2026. OIG reports can be found on our website at <https://www.oig.dot.gov>.

Summary of Independent Auditor's Management Letter

In its management letter, Allmond reported the following matters involving NTSB's internal control and operations that require management's attention.

Financial Statements and Footnotes Did Not Comply With OMB Financial Reporting Requirements

Allmond determined that NTSB's financial statements and footnotes did not comply with OMB financial reporting requirements. NTSB prepared its financial statements and footnotes for the reporting period ended June 30, 2025, using the superseded comparative format rather than the single-year presentation that was required for fiscal year 2025 reporting. OMB issued criteria requiring a single-year format; however, NTSB interpreted the requirement as applying only to financial statements and footnotes prepared for periods after the criteria's issuance date.

Improvements Needed in Internal Controls Relating to the Processing and Review of Employee Benefit Assignments

In a sample of 72 payroll transactions, Allmond found one instance in which NTSB did not process an employee's Federal Employees' Group Life Insurance election for additional optional life insurance. NTSB did not review the employee's onboarding paperwork to verify that all election forms were processed, and NTSB human resources personnel do not perform subsequent reviews of employee electronic Official Personnel Folders to verify they are complete and accurate.

Improvements Needed in Internal Control Relating to Performance of Property Inventories

During their on-site property testing, Allmond found that NTSB was unable to locate the accountable or sensitive property items for 2 of 50 samples.

Additionally, for 1 of 25 property samples, NTSB recorded the capitalized property item as disposed, but the item was in an NTSB laboratory. Allmond noted NTSB did not timely report missing assets to the property management team and did not conduct follow up procedures to ensure that the retired asset was removed from the laboratory area and subsequently disposed.

Improvements Needed in Processing Personnel Actions

In response to a fiscal year 2024 finding regarding the processing of personnel actions, Allmond found that NTSB created agency-specific written policies and procedures to process these actions; however, the policy was not implemented until December 1, 2025. As such, Allmond was not able to test the design and implementation or operating effectiveness of the new control activities during the fiscal year 2025 audit because it was outside the audit's scope.

Accounts Payable Accrual Calculation Duplicated Expenses That Were Separately Accrued

Allmond noted that expenses relating to travel and purchase card transactions were both separately accrued and included in the common cost accrual for vendor payments. NTSB did not recognize the duplicative effect of recording separate accruals for travel and purchase card transactions when these expenses were already included in the base costs used for the estimated accrual.

Recommendations

Allmond made the following nine recommendations to NTSB's management to enhance their internal controls:

1. Document that NTSB's preparation of the financial statements and footnotes is compliant with the most recent version of the financial reporting requirements as of the interim submission deadline stated in OMB Circular A-136, including any revisions required for new reporting requirements, before providing the financial statements and footnotes to external parties.

2. Develop a process for ensuring that all initial and subsequent benefits coverage changes requested by employees are processed timely and accurately.
3. Develop policies and procedures that include the performance of periodic reviews of employees' Official Personnel Folders to ensure that they are complete and accurate.
4. Create and enforce written procedures to review all employee onboarding documents, including documentation received for transferred employees and individuals returning to Federal civilian service, to ensure that the documentation is complete and accurate.
5. Perform and document routine reviews of employees' Official Personnel Folders to verify that payroll and benefits elections are correct, including retirement plan assignments and benefit elections. Take action to correct any errors, including the collection or return of excess employee contributions, when warranted.
6. Verify that all accountable and sensitive property has been located during the agency's annual self-audit process, including educating employees regarding their responsibility to report damaged, lost, and stolen property immediately after a loss has been identified.
7. Develop and implement a follow up procedure to verify that (1) all assets marked for disposal have been moved to a disposal holding area immediately before or after the assets' status is changed to disposal and (2) the disposal of the asset has taken place in a timely manner.
8. Create and enforce agency-specific written policies and procedures that specify how personnel actions should be initiated, reviewed, and submitted. These policies and procedures should specify the roles and responsibilities of human resources personnel relating to this process and the required elements and documentation of management's review of personnel actions prior to submission.
9. Review and revise its current methodology relating to the estimation and recording of accounts payable accruals to ensure that the bases used to calculate these accruals do not include any expense types or amounts for which separate accruals are recorded.

NTSB management concurred with Allmond's recommendations 2, 3, 4, 5, 6, 7, and 9, and committed to take corrective actions to address the findings issued to it in the management letter.

NTSB did not concur with recommendations 1 and 8. However, for recommendation 1, NTSB stated it took and completed corrective action during

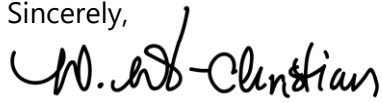
fiscal year 2025. For recommendation 8, NTSB indicated that it provided Allmond a Standard Operating Procedure and checklist on December 1, 2025. Allmond noted they will perform follow up procedures during the fiscal year 2026 audit as they were not able to review the items during the fiscal year 2025 audit.

Quality Control Review

Our QCR 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 about this report, please contact me or Ingrid Harris, Program Director.

Sincerely,



Dormayne "Dory" Dillard-Christian

Assistant Inspector General for Financial, IT, and Procurement Audits

cc: NTSB Chief Financial Officer

Enclosure. Independent Auditor's Management Letter

**NATIONAL TRANSPORTATION SAFETY BOARD
MANAGEMENT LETTER REPORT**

SEPTEMBER 30, 2025



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(301) 918-8200**



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MANAGEMENT LETTER REPORT

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

We audited the National Transportation Safety Board (NTSB) financial statements as of September 30, 2025 and for the year then ended and issued our report dated January 7, 2026 under separate cover.

In planning and performing our audit, we considered NTSB's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls. Though not considered to be material weaknesses or significant deficiencies, we noted five matters involving internal control that are presented in this letter for NTSB management's attention and consideration. Exhibit I presents the status of prior year findings and recommendations.

The purpose of this report is solely 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

Lanham, MD
January 7, 2026

Allmond & Company audited the balance sheet of the National Transportation Safety Board (NTSB) as of September 30, 2025 and the related statements of net cost, changes in net position, and budgetary resources for the year then ended (the financial statements). We identified five additional matters involving NTSB's internal controls and/or operations that we believe warrant management's attention; however, these issues were not considered to be significant deficiencies nor material weaknesses.

Under standards issued by the American Institute of Certified Public Accountants, 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 to detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit the attention by those charged with governance. There were no significant deficiencies or material weaknesses identified during our audit of NTSB's fiscal year (FY) 2025 financial statements.

We noted the following control deficiencies during our audit:

1. Financial Statements and Footnotes Did Not Comply with Office of Management and Budget (OMB) Financial Reporting Requirements
2. Improvements Needed in Internal Controls Relating to the Processing and Review of Employee Benefit Assignments
3. Improvements Needed in Internal Control Relating to Performance of Property Inventories
4. Improvements Needed in Processing Personnel Actions
5. Accounts Payable Accrual Calculation Duplicated Expenses that Were Separately Accrued

The conditions for these findings are discussed in detail below.

Finding #1 - Financial Statements and Footnotes Did Not Comply with OMB Financial Reporting Requirements (MLR 2025-01)

CONDITION

During our review of the financial statements and footnotes for the reporting period ended June 30, 2025, we determined that NTSB's financial statements and footnotes were prepared using the superseded comparative format rather than the single-year presentation that is required for FY 2025 reporting.

We reviewed NTSB's financial statements and footnotes for the reporting period ended September 30, 2025 and noted that the statements and footnotes were prepared in accordance with OMB Circular A-136 Financial Reporting Requirements for FY 2025 without exception and that appropriate corrective action was taken to address the interim finding.

CRITERIA

OMB Circular A-136 (July 14, 2025), Section 1.1 Guide to the Circular, states, "For FY 2025, entities should report only single-year financial statements, notes, and Required Supplementary Information (RSI).

Comparative statements, notes, or RSI, or information from prior years should only be reported if required by FASAB guidance, such as Statements of Federal Financial Accounting Standards (SFFAS) 31, Accounting for Fiduciary Activities or SFFAS 17, Accounting for Social Insurance.”

OMB Circular A-136 (July 14, 2025), Section 1.4. Circular Effective Date, states, “This Circular is effective in its entirety upon issuance unless otherwise specified.”

NTSB Operations Bulletin CFO-INT-021, Financial Statement Preparation and Review Processes, 4. Procedures, states, “The NTSB procedures include the following: c) CFO-20 Accountants will use financial data reported in the financial system and formulate financial statements in accordance with GAAP and strictly refer to the latest revision of OMB Circular A-136 and the Department of Treasury’s U.S. Standard General Ledger Crosswalks in compilation and presentation of the financial statements. The CFO-20 Accountants will prepare notes to attach to the annual financial statements, as required by Circular A-136.”

CAUSE

- The latest revision of OMB Circular A-136 was dated July 14, 2025 and was effective immediately for FY 2025 reporting. NTSB prepared its financial statements and footnotes prior to the release of the Circular and performed its final review of the 3rd quarter financial statements and footnotes on July 16, 2025.
- NTSB interpreted the Circular to apply to financial statements and footnotes for periods ending after the July 14, 2025 release date. As such, management made the decision to retain the comparative reporting format at interim rather than to revise the completed financial statements and footnotes, deferring implementation of the single-year reporting requirements to year-end.

EFFECT

The effects of this condition include:

- Non-compliance with OMB financial reporting requirements at interim.

RECOMMENDATION

We recommend that NTSB management should:

- Document that NTSB’s preparation of the financial statements and footnotes is compliant with the most recent version of the financial reporting requirements as of the interim submission deadline stated in OMB Circular A-136, including any revisions required for new reporting requirements, before providing the financial statements and footnotes to external parties.

MANAGEMENT RESPONSE

Corrective action was taken and completed during the current fiscal year.

General Comments

Because the revised OMB Circular A-136 issued on July 14, 2025 does not explicitly state that the interim (June 30) financial statements and footnotes must be presented as a single year, but specifically states that for fiscal year 2025, “...entities should report only single-year financial statements, notes, and RSI” and

NTSB's presentation of comparative statements and footnotes was compliant as submitted for interim reporting, NTSB did not concur with the notice of findings and recommendation.

For September 30, 2025 reporting, NTSB's financial statements and footnotes were prepared in accordance with the requirements of the revised OMB A-136 issued on July 14, 2025, to include the single-year presentation. The agency considers the NFR closed.

AUDITOR RESPONSE

We reviewed NTSB's financial statements and footnotes for the reporting period ended September 30, 2025 and noted that the statements and footnotes were prepared in accordance with Office of Management and Budget (OMB) Circular A-136 Financial Reporting Requirements for FY 2025 without exception and that appropriate corrective action was taken to address the interim finding.

Finding #2 - Improvements Needed in Internal Controls Relating to the Processing and Review of Employee Benefit Assignments (MLR 2025-02)

CONDITION

Internal control relating to the review of employees' payroll and benefit information is not appropriately designed and implemented to prevent or to detect and correct errors relating to incorrect enrollment in employee benefit plans.

During our review of 72 payroll transactions selected from the population of all employees who were paid during the interim period of October 1, 2024 through May 31, 2025, we identified one instance in which the Federal Employees' Group Life Insurance (FEGLI) Program election form to elect additional optional life insurance coverage was not processed for the selected employee.

CRITERIA

Electronic Code of Federal Regulations, Title 5-Administrative Personnel, Chapter 1- Office of Personnel Management, Subchapter B-Civil Service regulations, part 293-Personnel records, subpart A-Basic Policies on Maintaining Personnel records, section 293.103. Recordkeeping Standards states that:

“(a) The head of each agency shall ensure that persons having access to or involved in the creation, development, processing, use, or maintenance of personnel records are informed of pertinent recordkeeping regulations and requirements of the Office of Personnel Management and the agency.

(b) The Office is responsible for establishing minimum standards of accuracy, relevancy, necessity, timeliness, and completeness for personnel records it requires agencies to maintain.”

Government Accountability Office (GAO) Standards for Internal Control in the Federal Government, Principle 10.04, states, “Control activities can be either preventive or detective... A preventive control activity prevents an entity from failing to achieve an objective or address a risk. A detective control activity discovers when an entity is not achieving an objective or addressing a risk before the entity's operation has concluded and corrects the actions so that the entity achieves the objective or addresses the risk.”

CAUSE

- A review of the employee's onboarding paperwork was not performed to verify that all election forms were processed and all of the employee's benefit elections were complete and accurate.
- NTSB human resources personnel do not perform subsequent reviews of employee electronic Official Personnel Folders (eOPFs) to verify that eOPFs are complete and accurate and employee benefit elections are correct.

EFFECT

- The failure to properly process employee requests and update employees' official personnel records increases the risk for misstatement in payroll expense and related liabilities; in addition, incorrect amounts could be withheld from employees pay. In this case, the difference in employee withholding for the additional optional life insurance premiums was approximately \$700 since the employee's employment start date in September 2023.
- Incorrect life benefits information in the eOPF can negatively affect employees in the event of a loss or claim and cause incorrect amounts to be withheld from their pay.

RECOMMENDATION

We recommend that:

- NTSB should develop a process for ensuring that all initial and subsequent benefits coverage changes requested by employees are processed timely and accurately.
- NTSB should develop policies and procedures that include the performance of periodic reviews of employees' Official Personnel Folders to ensure that they are complete and accurate.
- NTSB should create and enforce written procedures to review all employee onboarding documents, including documentation received for transferred employees and individuals returning to Federal civilian service, to ensure that the documentation is complete and accurate.
- NTSB should perform and document routine reviews of employees' Official Personnel Folders to verify that payroll and benefits elections are correct, including retirement plan assignments and benefit elections. Take action to correct any errors, including the collection or return of excess employee contributions, when warranted.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendations provided when determining if a corrective action plan should be developed once the audit concludes.

General Comments

The single instance out of a review of 72 transactions that the auditors identified was related to an employee who onboarded on September 25, 2023. At the time of onboarding, the employee did not elect to enroll in

Federal Employees' Group Life Insurance (FEGLI) coverage. Therefore, in accordance with OPM guidelines, the employee was automatically enrolled in Basic FEGLI coverage and given 60 days to make additional changes. On October 8, 2023, within the 60-day period after onboarding, the employee submitted a request to elect Optional FEGLI coverage in addition to Basic coverage. The request was not processed at the time due in large part to the benefits officer vacancy in the Office of Human Capital Management and Training (HCT). In July 2024, a benefits officer was hired and has since created a standard operating procedure (SOP) to implement a verification and validation process that is now used when onboarding transfers from other federal agencies or those that are new to the federal government. Additionally, in December 2025, that SOP was updated to incorporate a periodic review of electronic Official Personnel Folders (eOPFs) from a sampling of current employees. This review includes reconciling employee's benefits elections against payroll records to ensure completeness and accuracy. Under the updated process, HCT now reviews eOPFs when an employee onboard with NTSB (as a new hire, reinstatement, or transferee) and through periodic reviews of current employee eOPFs against corresponding payroll records.

Concerning the affected employee from September 2023, HCT contacted the employee in August 2025 to notify him of the issue and provided options for a resolution. The employee did not elect to update his FEGLI coverage.

AUDITOR RESPONSE

We will perform follow-up procedures during the FY 2026 audit to determine if corrective actions have been fully implemented.

Finding #3 - Improvements Needed in Internal Control Relating to Performance of Property Inventories (MLR 2025-03)

CONDITION

Improvements are needed in internal control relating to the agency's tracking of capitalized, accountable, and sensitive assets. Specifically, during our on-site property testing, we noted the following exceptions:

- For two (2) of fifty (50) samples, NTSB was unable to locate the accountable or sensitive property items on NTSB's active asset listing during our on-site testing of the organization's capitalized, accountable, and sensitive property.
- For one (1) of twenty-five (25) samples, the capitalized property item was recorded as disposed in the general ledger and property management system in April 2024; however, the item was located on the premises in an NTSB lab during our September 2025 site visit.

CRITERIA

National Transportation Safety Board Operations Bulletin CFO-GEN-004, Property Management, states "All employees, contractors, and students that are assigned controlled property must submit to the Property Management Officer (PMO) all incidents of lost, damaged, or stolen property on form 1310.4, Report of Lost, Stolen, Damaged Property. The PMO will maintain a master, hard-copy file of all reports, along with a digital copy. The PMO will provide all reports electronically to the Chief Financial Officer's (CFO's) office on a quarterly basis. The PMO will notify the CFO immediately if a report is received about a fixed asset. A final report will be provided to the CFO's office as part of the annual inventory/disposition report."

National Transportation Safety Board Operations Bulletin CFO-GEN-004, Property Management, states “Upon determination of either transfer through GSAXcess or disposal, the PMO or Inventory Management Specialist (IMS) will annotate the record in the Asset Management System, will reassign it out of the employee’s name, and will place in a disposal status....Upon collection of returned property, and after the determination that the property does not meet the requirements of transferring through GSAXcess to another agency, AD-10 will dispose of the property following the regulations as required in the GSA Federal Management Regulation (FMR).”

GAO Standards for Internal Control in the Federal Government, Principal 10.03 Physical control over vulnerable assets, states, “Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.”

GAO Standards for Internal Control in the Federal Government, Section OV2.24 Safeguarding of assets, states, “Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity’s assets.”

CAUSE

We noted the following causes for the conditions identified above:

- Missing assets were not timely reported to the property management team.
- After determining the asset was to be retired, personnel temporarily needed to keep the equipment item in order to obtain/transfer data. Upon completion of the data transfer process, follow up procedures did not occur to ensure that the asset was removed from the laboratory area and subsequently disposed of.

EFFECT

- The failure to maintain a complete and accurate listing of NTSB assets and perform regular reviews of NTSB property increases the risk of possible theft or misuse of assets.

RECOMMENDATION

We recommend that:

- NTSB should verify that all accountable and sensitive property has been located during the agency’s annual self-audit process, including educating employees regarding their responsibility to report damaged, lost, and stolen property immediately after a loss has been identified.
- NTSB should develop and implement a follow up procedure to verify that (1) all assets marked for disposal have been moved to a disposal holding area immediately before or after the assets’ status is changed to disposal and (2) the disposal of the asset has taken place in a timely manner.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendations provided when determining if a corrective action plan should be developed once the audit concludes.

AUDITOR RESPONSE

We will perform follow-up procedures during the FY 2026 audit to determine if corrective actions have been fully implemented.

Finding #4 - Improvements Needed in Processing Personnel Actions (MLR 2025-04)

CONDITION

Internal control over the processing of personnel actions was not properly designed and implemented during fiscal year (FY) 2025 to prevent or detect and correct errors relating to payroll expenses and liabilities. In response to a FY 2024 finding, NTSB created agency-specific written policies and procedures for the processing of personnel actions; however, the policy was not implemented until December 1, 2025 (FY 2026). As such, we were not able to test the design and implementation or operating effectiveness of the new control activities during the FY 2025 audit.

CRITERIA

The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government, Principle 10.01: Design Control Activities, states, “Management should design control activities to achieve objectives and respond to risks. The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Response to Objectives and Risks
- Design of Appropriate Types of Control Activities
- Design of Control Activities at Various Levels
- Segregation of Duties.”

GAO Standards for Internal Control in the Federal Government, Principle 10.03: Segregation of duties, states, “Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.”

GAO Standards for Internal Control in the Federal Government, Principle 10.03: Appropriate documentation of transactions and internal control, states, “Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.”

CAUSE

- NTSB’s Human Resources (HR) Division did not have agency-specific written policies and procedures during FY 2025 that specified how personnel actions should be initiated, reviewed, and submitted.
- NTSB did not have control procedures in place during FY 2025 to ensure that all personnel actions are reviewed by a second authorized person prior to submission of the personnel action for processing.

EFFECT

The failure to properly authorize, approve, and ensure the validity and accuracy of personnel actions and enforce segregation of duties protocols increases the possibility of misuse and abuse of government resources, as follows:

- An increased risk that unauthorized actions may be initiated and processed without detection.
- An increased risk of material misstatement of the agency’s payroll and benefits expense and related liabilities due to undetected error or fraud. Also, incorrect amounts could be withheld from employees’ pay.
- An increased risk of noncompliance with legal and regulatory requirements.
- A decreased likelihood that the agency will be able to prevent or identify and recover overpayments made to employees.

RECOMMENDATION

We recommend that NTSB management should:

- Create and enforce agency-specific written policies and procedures that specify how personnel actions should be initiated, reviewed, and submitted. These policies and procedures should specify the roles and responsibilities of HR personnel relating to this process and the required elements and documentation of management’s review of personnel actions prior to submission.

MANAGEMENT RESPONSE

Management does not concur with the Notification of Finding and Recommendation and provided further detail supporting our position in the space provided below.

General Comments

As indicated in the management response to 2024-01, the NTSB Office of Human Capital Management and Training (HCT) adheres to the Office of Personnel Management’s (OPM) personnel action processing guidelines and employs a system of checks and balances around the payroll processing function. During FY25 these guidelines were followed and were validated through quarterly reviews on the following dates:

Q1: February 12, 2025

Q2: April 29, 2025

Q3: July 21, 2025

Q4: November 21, 2025

During the 2025 audit work, the auditors indicated that the use of the government wide guidance provided by OPM is not sufficient. Therefore, an additional internal SOP and checklist was developed on December 1. Although this additional SOP was updated and provided on December 1, throughout FY25, HCT was in compliance, as no deficiencies were identified. Documentation of the reviews was previously provided to the auditors and is attached to this document.

AUDITOR RESPONSE

As NTSB noted in the response above, written Standard Operating Procedures (SOPs) and the referenced checklist were not developed until fiscal year (FY) 2026. As such, we were unable to review these items during the FY 2025 financial statement audit. We will perform follow up procedures during the FY 2026 audit.

Finding #5 - Accounts Payable Accrual Calculation Duplicated Expenses that Were Separately Accrued (MLR 2025-05)

CONDITION

NTSB's internal controls over the estimation of accrued liabilities are not adequately designed to prevent or detect and correct overstatements of recorded accruals. During the performance of our year-end substantive procedures over the Accounts Payable accrual, we noted that expenses relating to travel and purchase card transactions were both separately accrued and included in the common cost accrual for vendor payments.

CRITERIA

Statement of Federal Financial Accounting Standards (SFFAS) 5, Accounting for Liabilities of the Federal Government, provides the definition and general principles for the recognition of a liability: A liability for federal accounting purposes is a probable future outflow or other sacrifice of resources as a result of past transactions or events. General purpose federal financial reports should recognize probable and measurable future outflows or other sacrifices of resources arising from (1) past exchange transactions, (2) government-related events, (3) government-acknowledged events, or (4) nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date.”

SFFAS 39, Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statements on Auditing Standards, states,

- “11. Events or transactions that affect the basic information or Required Supplementary Information (RSI) sometimes occur subsequent to the end of the reporting period but before the financial report is issued. Some of those transactions and events (referred to as recognized events) require adjustments while others (referred to as non-recognized events) may require disclosure in the basic information or RSI.
12. Recognized events consist of those events that provide additional evidence with respect to conditions that existed at the end of the reporting period and affect the estimates inherent in the process of preparing basic information and RSI. In evaluating the conditions on which the estimates

were based, all information that becomes available prior to the issuance of the financial report should be used. The basic information or RSI as applicable should be adjusted for any changes in estimates resulting from the use of such evidence.

13. Identifying recognized events calls for the exercise of professional judgment and knowledge of the facts and circumstances. The receipt of information regarding the impairment of an asset or the incurrence of a liability subsequent to the end of the reporting period may be indicative of conditions existing at the end of the reporting period, thereby calling for adjustment of the basic information or RSI before the issuance of the financial report.”

NTSB Financial Operations Manual (February 2025), Part IV. Accounts Payable (AP) Accrual, states, “These are amounts owed to vendors for goods and services received but not yet paid. The model template used to calculate the monthly A/P accrual liability is premised on the Lookback Analysis liability computation. This is comprised of a monthly average of the prior fiscal year net payables for the previous 12 months. To this is added any extraordinary miscellaneous liabilities that are outside of the calculated monthly average figure. The liability is parsed by beginning fiscal year (BFY) and program when it is applied against the monthly undelivered orders (UDO) report and programs by the September trial balance percentages. An estimate by these programs based on dollar volume is calculated.... A lookback analysis is generally performed quarterly to determine if the monthly estimated accrual is adequate or should be adjusted.”

NTSB Financial Operations Manual (February 2025), Part V. Unaccounted Invoices Accrual, states, “These are amounts owed to vendors for which invoices have been received and entered to the Office of Financial Planning and Reporting Division system (OFPRD), but the invoices have not been accounted (amounts not posted to the general ledger, and therefore not in the AP balance). The amount is to be added to the monthly AP accrual amount since it is often de minimis. The support for this accrual is available via the Unaccounted Transactions report...(b) The total of unaccounted invoices on hold should be added to the monthly AP accrual amount and allocated across funds and programs.”

NTSB Financial Operations Manual (February 2025), Part VI. Travel Accrual, states, “Amounts obligated for future travel. The liability is journalized monthly as a reversing entry.... (b) Confirm “open” status with the NTSB travel team and adjust for the travel obligations (i.e., authorizations) that are reflected on the report as open, but are actually closed.”

Government Accountability Office (GAO) Standards for Internal Control in the Federal Government, (issued September 2014), Principle 10.01: Design Control Activities, states, “Management should design control activities to achieve objectives and respond to risks. The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Response to Objectives and Risks
- Design of Appropriate Types of Control Activities
- Design of Control Activities at Various Levels
- Segregation of Duties.”

GAO, Standards for Internal Controls in the Federal Government, Principle 10.03: Accurate and Timely Recording of Transactions, states, “Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

CAUSE

- NTSB did not subtract travel and purchase card transactions from the base costs to calculate the common cost accrual.
- NTSB did not recognize the duplicative effect of recording separate accruals for travel and purchase card transactions when these expenses were already included in the base costs used for the estimated accrual.

EFFECT

- Operating Expenses/Program Cost, Accounts Payable, and Unexpended and Expended Appropriations-Used, and Expended Authority-Unpaid balances were overstated by approximately \$406,000.
- Unexpended Obligation - Unpaid balance was understated by approximately \$406,000.
- Increased risk of material misstatements reported on the Balance Sheet, Statement of Net Costs, Statement of Budgetary Resources, and related footnote disclosures.

RECOMMENDATION

We recommend that NTSB management review and revise its current methodology relating to the estimation and recording of accounts payable accruals to ensure that the bases used to calculate these accruals do not include any expense types or amounts for which separate accruals are recorded.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes.

General Comments

The \$406K overstatement resulted from a methodological overlap in our accrual process. While the general Accounts Payable accrual uses a prior-year average to estimate un-invoiced services, travel and purchase card expenditures are accrued independently as noted. In September FY24, the NTSB received \$7.5M in Technology Modernization Fund (TMF) financing, which significantly increased contractual services. Reducing the FY25 accrual base would have been inconsistent with standard practice and risk underestimating liabilities. However, we agree that travel costs were included in the general baseline, causing a minimum double-counting of that liability. Management is now refining the baseline calculation to exclude travel and purchase card expenditure to prevent future recurrence.

AUDITOR RESPONSE

We will perform follow-up procedures during the FY 2026 audit to determine if corrective actions have been fully implemented.

Status of Prior Year Findings and Recommendations

<p>Assignment of an Employee to the Incorrect Retirement Plan (MLR 2024-02)</p>	<p>2024</p>	<p>Design and implement controls to ensure that employee payroll and benefits records are complete and accurate.</p> <ol style="list-style-type: none"> 1. Correct the retirement plan assignment for the identified employee and take all necessary steps to remediate the error, including the return of excess contributions to the employee, if appropriate. 2. Create and enforce written procedures to review all employee onboarding documents, including documentation received for transferred employees and individuals returning to Federal civilian service, to ensure that the documentation is complete and accurate. 3. Perform and document routine reviews of employees' Official Personnel Folders to verify that payroll and benefits elections are correct, including retirement plan assignments. Take action to correct any errors, including the collection or return of excess employee contributions, when warranted. 	<p>Open</p> <p>Open</p> <p>Open</p>
<p>Improvement Needed in the Identification of Invalid Upward and Downward Adjustments of Prior Year Obligations (MLR 2024-03)</p>	<p>2024</p>	<p>Ensure that correcting entries are posted to the correct general ledger accounts within the financial management system.</p> <ol style="list-style-type: none"> 1. Design, implement, and document the performance of a manual review, at least quarterly, of the general ledger activity of downward and upward adjustments of prior year obligations general ledger accounts and record journal adjustments, when needed, to properly reclassify any errors that are identified. 2. Update existing policies and procedures to include the performance of a manual review of downward and upward adjustment activity during the period under review. 	<p>Open</p> <p>Open</p>

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