14C.118 Improve Financial Management & Practices

Description

Obtain an unmodified audit opinion on the FAA's FY14 financial statements. This goal requires both an unmodified audit opinion and no material weaknesses identified by external independent auditors. Due September 30, 2014.

Special Designations: OSI

Commentary (September 2014)

Achievements:
Auditors are now in their peak phase of testing. We have prepared many year-end accruals, corrections, and adjustments. Year-end financial statements are due in one week. We are responding to questions and requests of the auditors throughout each day. To date, audit testing has identified exceptions that do not collectively rise to a material level.

Challenges:
The combination of several relatively immaterial financial errors will very likely result in one or even two significant deficiencies in the audit. A significant deficiency is not a material error or the risk of a material error. It is a matter that warrants the attention of those in charge of governance. At this time, these matters would not rise to the more severe level of a material weakness and thus would not cause this measure to fail. Overall, many of these errors occurred as a result of the combined effect of many significant challenges unique to this fiscal year. These challenges began with reduced timeframes for conducting Q1 tasks due to the government shut down and resulting extension of the FY 2013 audit to mid-December; implementation of Treasury's new reporting system called GTAS; upgrade to Delphi's release 12; and assuming the accounting function for Airport and Airway Trust Fund transactions from Treasury's Bureau of Fiscal Service.

Next Steps:
Draft financial statements are due to the auditors and DOT in one week. The pace of auditor requests will intensify further after that date, until they conclude their audit on Sunday, November 9.

Commentary (August 2014)

Achievements:
We submitted Q3 financial statements to DOT, OMB, and the auditors. To date, audit testing has identified exceptions that do not collectively rise to a material level.

Challenges:
PRISM has been "down" during critical year-end high volume periods. Obligations which are incurred but not recorded will need to be manually accrued, increasing workload and risk of error. Also, Delphi is being updated again during the year-end window. This means that we are losing several critical days of access to the system during an already inherently aggressive financial statement/audit schedule. This increases the risk of error in financial statement

preparation and the risk that we will discover issues with the system when it comes back up. Also, we will receive another new version of the tool for identifying "eliminations" data, that we will use for the first time for year-end reporting. ("Eliminations" are a certain type of financial data critical to the accuracy of the audited financial statements.) Typically, due the risk to the audit, we have avoided making changes to Delphi during Q3 and year-end.

Next Steps:
We are revisiting the year-end work timelines to try to achieve as many efficiencies as possible so that we can meet audit and reporting deadlines. The audit is scheduled to conclude on November 9.

Status Table (Qualitative Metric)

Period	Actual
12/2013	Yellow
01/2014	Yellow
02/2014	Yellow
03/2014	Yellow
04/2014	Yellow
05/2014	Yellow
06/2014	Yellow
07/2014	Yellow
08/2014	Yellow
09/2014	Yellow

✓ Indicates that the item is complete.