



U.S. Department
of Transportation
**Federal Aviation
Administration**

Memorandum

Subject: **ACTION:** Clean Audit Initiative

Date: **MAY - 6 2002**

From: Administrator

Reply to
Attn. of:

To: Associate Administrator for Research and
Acquisitions, ARA-1
Associate Administrator for Air Traffic Services,
ATS-1
Assistant Administrator for Region and Center
Operations, ARC-1
Director, Free Flight, AOZ-1

Thank you for your continued support of the agency's clean audit initiative. While the FAA received a clean opinion on our Fiscal Year (FY) 2001 Financial Statements, we still have a long-standing material weakness in the property area. Our continued ability to get clean opinions in the future is at risk. In addition, we are spending an exorbitant amount of resources during the fiscal year and after year-end to solve problems that arise from this material weakness.

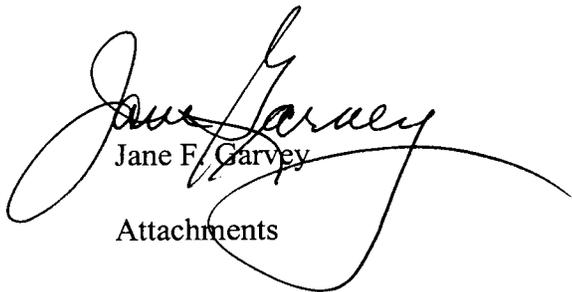
The Office of Inspector General and KPMG, our auditors for FY 2001, have recommended that we exercise strong and centralized oversight of asset capitalization. While we have improved in the past three years, we can no longer afford to continue "business as usual." Because of our property data integrity concerns, and the imminent implementation of DELPHI, we need significant changes. ABA has assumed a property accounting quality assurance role this year, and we are strengthening our review of the central costs incurred on national contracts for F&E projects. But to be effective, ABA will need the support of your offices as well.

In the rest of FY 2002 we must establish a cross-functional National Capitalization Team who will work together to oversee asset capitalization and coordinate regional efforts. This team will help validate our key capitalization transactions and provide updates on the status of the major central acquisition contracts. In FY 2003 and beyond we will use a similar structure but will have the benefit of an integrated financial and property accounting system with DELPHI. While many of the duties will be the same, DELPHI will afford us the luxury of having an integrated system to facilitate and streamline capitalization, both at headquarters and in the regions. However, our property

accounting will still rely heavily on setting up capital projects so we record our capital assets at full cost inside the new financial system. We will continue to need oversight by the team.

Please appoint staff to take part in this effort as members of the National Capitalization Team. Attached are the roles and responsibilities that we anticipate will be needed, the estimated number of people from each organization to support this effort, and a diagram of the proposed structure. The effort will need intensive involvement from team members at various points throughout the year. Team members will need to provide and correspond with points of contact for each Integrated Product Team within their line of business to help the National Capitalization Team with its responsibilities. Besides appointing a team member, please appoint a senior manager to serve a more limited role as part of a senior management oversight group. Please send the names of your representatives to Marty Finkelstein, at 202-267-8993, by May 9, 2002.

Thank you for your support of this critical agency initiative.



Jane F. Garvey

Attachments