



UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS

Memorandum

Office of the Inspector General

TO: Ambassador John O'Keefe
Executive Director
Open World Leadership Center

July 16, 2013

FROM: Karl W. Schornagel
Inspector General

SUBJECT: Results of the Open World Leadership Center
FY 2012 Financial Statements Audit

The attached report presents the results of the annual audit of the Open World Leadership Center's (Open World) financial statements for fiscal year (FY) 2012.

We contracted with the independent certified public accounting firm of CliftonLarsonAllen, LLP (CLA) for the audit. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards; Office of Management and Budget Bulletin 07-04 *Audit Requirements for Federal Financial Statements*; and the GAO/PCIE¹ *Financial Audit Manual*.

In its audit of Open World, CLA found:

- The financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles,
- There were no material weaknesses or significant deficiencies in internal control² over financial reporting (including safeguarding assets), and
- There were no instances of noncompliance with laws and regulations it tested.

¹ The Government Accountability Office and the President's Council on Integrity and Efficiency.

² A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Open World's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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 connection with the contract, we reviewed CLA's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on Open World's financial statements or conclusions about the effectiveness of internal controls or conclusions on compliance with laws and regulations. CLA is responsible for the attached auditor's report dated May 1, 2013 and the conclusions expressed in the report.³ However, our review disclosed no instances where CLA did not comply, in all material respects, with U.S. generally accepted government auditing standards.

Attachment

³ In accordance with generally accepted auditing standards, CLA's report is dated based on the last day sufficient audit evidence was obtained to support their opinion. CLA's final report was delivered to the Office of the Inspector General on May 31, 2013 and final workpapers were delivered for review on July 1, 2013.

INDEPENDENT AUDITORS' REPORT

Inspector General
Board of Trustees
Audit Committee
Open World Leadership Center

We have audited the accompanying balance sheets of the Open World Leadership Center (the Center) as of September 30, 2012 and 2011, and the related statements of net cost and changes in net position, and the combined statements of budgetary resources ("financial statements") for the years then ended. The objective of our audit was to express an opinion on the fairness of these financial statements. In connection with our audit, we also considered the internal control over financial reporting and considered the Center's compliance with laws and regulations. In our audit, we found:

- The financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S.);
- No material weaknesses in internal control over financial reporting (including safeguarding of assets); and
- No instances of reportable noncompliance with selected provisions of laws and regulations tested.

The following sections discuss in more detail: (1) these conclusions, (2) our conclusions on Management's Discussion and Analysis (MD&A), (3) our responsibility for the audit, and (4) management's responsibility for the financial statements.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of September 30, 2012 and 2011, and its net costs; changes in net position; and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the U.S.

Report on Internal Control

In planning and performing our audit, we considered the Center's internal control over financial reporting and compliance (internal control) to determine the 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 Center's internal control or on management's assertion on internal control included in the MD&A. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control or on management's assertion on internal control included in the MD&A.

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. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Report on Compliance

In connection with our audit, we performed tests of the Center's compliance with certain provisions of laws and regulations. The results of our tests disclosed no instances of noncompliance that are required to be reported in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States or OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended (OMB Bulletin 07-04). However, the objective of our audit was not to provide an opinion on compliance with laws and regulations. Accordingly, we do not express such an opinion.

We noted certain matters that we reported to the Center's management in a separate letter dated May 1, 2013.

Other Information

Accounting principles generally accepted in the U.S. require that the Center's MD&A be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management's Responsibility for the Financial Statements

The Center's management is responsible for (1) preparing the financial statements in conformity with accounting principles generally accepted in the U.S., (2) designing, implementing, and maintaining internal control over financial reporting and compliance, and evaluating its effectiveness, and (3) complying with other applicable laws and regulations.

Auditor's Responsibility

We are responsible for conducting our audit in accordance with auditing standards generally accepted in the U.S., the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the U.S., and OMB Bulletin 07-04. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are presented

fairly, in all material respects, in conformity with accounting principles generally accepted in the U.S. We are also responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit and (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements, and laws for which OMB Bulletin 07-04 requires testing.

In order to fulfill these responsibilities, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessed the appropriateness of the accounting policies used and the reasonableness of significant estimates made by management; (3) evaluated the overall presentation of the financial statements; (4) obtained an understanding of the Center and its operations, including its internal control related to financial reporting (including safeguarding of assets) and compliance with laws and regulations including execution of transactions in accordance with budget authority; (5) evaluated the effectiveness of the design of internal control; (6) tested the operating effectiveness of relevant internal controls over financial reporting and compliance; (7) considered the design of the process for evaluating and reporting on internal control and financial management systems; and (8) tested compliance with selected provisions of certain laws and regulations. The procedures selected depend on the auditors' judgment, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. We believe we obtained sufficient and appropriate audit evidence on which to base our conclusions.

We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the Center. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin 07-04 that we deemed applicable to the Center's financial statements for the fiscal year ended September 30, 2012. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

The Center's Comments on our Evaluation

Management has chosen not to provide a response to our report.

CLIFTONLARSONALLEN LLP

The image shows a handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

Calverton, Maryland
May 1, 2013