



441 G St. N.W.  
Washington, DC 20548

Accessible Version

May 26, 2017

Congressional Committees

## **Congressional Award Foundation: Review of the Audit of the Financial Statements for Fiscal Year 2016**

This report presents the results of our review of the Congressional Award Foundation's (Foundation) fiscal year 2016 financial statement audit. The Congressional Award Act established the Congressional Award Board to carry out a program to promote excellence among the nation's youth. The Foundation was created to assist the Congressional Award Board in carrying out this program. The Congressional Award Act, as amended by the Government Reports Elimination Act of 2014, requires the Foundation to obtain an annual financial statement audit from an independent public accountant (IPA).<sup>1</sup> It also requires the Comptroller General of the United States to annually review the audit of the Foundation's financial statements and report the results to the Congress.<sup>2</sup>

The Foundation received an unmodified opinion from an IPA on its fiscal years 2016 and 2015 financial statements.<sup>3</sup> The IPA found that the Foundation's financial statements were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. The IPA also reported that for fiscal year 2016, it did not identify any (1) deficiencies in internal control that the IPA considered to be material weaknesses<sup>4</sup> or (2) reportable noncompliance with selected provisions of laws, regulations, contracts, and grant agreements it tested.<sup>5</sup> For

---

<sup>1</sup>From fiscal years 1986 through 2014, the Congressional Award Act mandated that GAO perform an annual audit of the financial statements of the Foundation. On November 26, 2014, the Government Reports Elimination Act of 2014 was enacted, which amended the Congressional Award Act to repeal GAO's annual requirement to audit the Foundation's financial statements. See Pub. L. No. 113-188, § 902, 128 Stat. 2016. Beginning in fiscal year 2015, the Foundation was required to contract with an IPA for an audit of the Foundation's financial statements. Therefore, the fiscal year 2014 audit was our final audit under the Congressional Award Act. We reported the results of our fiscal year 2014 audit in GAO, *Financial Audit: Congressional Award Foundation's Fiscal Years 2014 and 2013 Financial Statements*, [GAO-15-552](#) (Washington, D.C.: May 15, 2015).

<sup>2</sup>We reported on the results of our review of the Foundation's fiscal year 2015 financial statement audit in GAO, *Congressional Award Foundation: Review of the Audit of the Financial Statements for Fiscal Year 2015*, [GAO-16-754R](#) (Washington, D.C.: Aug. 12, 2016).

<sup>3</sup>The Foundation's financial statements consist of the statements of financial position, statements of activities, statements of cash flows, and accompanying notes to the financial statements.

<sup>4</sup>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 the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

<sup>5</sup>U.S. generally accepted government auditing standards (GAGAS), issued by the Comptroller General of the United States, incorporate U.S. generally accepted auditing standards and constitute the professional standards under which the Foundation's financial statement audit was to be performed. For an audit of financial statements performed in accordance with GAGAS, the auditor is required to report on internal control over financial reporting and on

fiscal year 2015, the IPA identified a deficiency in internal control related to cash disbursements cutoff that it considered to be a significant deficiency.<sup>6</sup> During its fiscal year 2016 audit, the IPA determined that the Foundation had addressed this significant deficiency. In addition, the IPA reported that it conducted its audit and prepared its report in accordance with U.S. generally accepted government auditing standards. The Foundation did not disagree with the IPA report's conclusions.

### Objective, Scope, and Methodology

Our objective was to review the financial audit of the Foundation's fiscal year 2016 financial statements. To satisfy this objective, we performed the following procedures:

- We read and considered the following with respect to the IPA's independence, objectivity, and qualifications:
  - the results of the IPA's most recent peer review,<sup>7</sup> dated February 23, 2015, which indicated a passing rating;<sup>8</sup>
  - the request for proposal the Foundation sent out when seeking an audit organization to conduct the audit of its financial statements;
  - the proposal submitted by the IPA;
  - the IPA's certification of independence;
  - the engagement letter between the IPA and the Foundation, which described the responsibilities of the IPA and those of the Foundation and set forth the scope and objectives of the audit service;<sup>9</sup>
  - résumés of key audit team members; and
  - documentation related to the continuing professional education of the IPA staff members assigned to the Foundation audit.
- We analyzed key audit planning documentation focusing on the IPA's assessment of the risk of material misstatement in the Foundation's financial statements, the audit procedures developed in response to this assessment, and the key audit completion documents summarizing the results and conclusions reached by the IPA.

---

compliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the financial statements, regardless of whether the auditor identifies internal control deficiencies or instances of noncompliance. GAGAS does not require the auditor to express opinions on the effectiveness of internal control over financial reporting or compliance.

<sup>6</sup>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 attention by those charged with governance.

<sup>7</sup>GAGAS requires each audit organization to have an external peer review conducted at least once every 3 years by reviewers independent of the organization being reviewed. The external peer review should determine whether, during the period under review, the reviewed audit organization's internal quality control system was suitably designed and whether quality control policies and procedures were being complied with to provide the audit organization with reasonable assurance that it conforms with applicable professional standards.

<sup>8</sup>There are two types of peer reviews: system reviews and engagement reviews. System reviews focus on an audit organization's system of quality control, while engagement reviews focus on work performed on particular selected engagements. An audit organization can receive a rating of pass, pass with deficiency(ies), or fail. The IPA's audit organization received a rating of pass on a system review.

<sup>9</sup>An engagement letter describes the objectives and scope of the work to be performed and includes a reference to the professional standards governing the conduct of the engagement.

- We read the Foundation’s fiscal years 2016 and 2015 financial statements, the IPA’s audit report on such financial statements, the IPA’s report on internal control over financial reporting and on compliance, and the IPA’s schedules of audit findings. We also met with IPA representatives and Foundation management officials to discuss matters pertinent to our objective.

Our review of the Foundation’s fiscal year 2016 financial statement audit, as differentiated from an audit of the financial statements, was not intended to enable us to express, and we do not express, an opinion on the Foundation’s financial statements or conclude on the effectiveness of its internal control over financial reporting. Furthermore, we do not express an opinion on the Foundation’s compliance with laws, regulations, contracts, and grant agreements. The IPA is responsible for its reports on the Foundation dated February 7, 2017, and the conclusions expressed therein.

We conducted this performance audit from February 2017 to May 2017 in accordance with U.S. generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

### **No Significant Issues Identified Related to the Audit of the Foundation’s Financial Statements for Fiscal Year 2016**

Based on the limited procedures we performed in reviewing the IPA’s financial audit of the Foundation’s fiscal year 2016 financial statements, we did not identify any significant issues related to the financial statement audit that we believe require attention. Had we performed additional procedures, other matters might have come to our attention that we would have reported.

### Agency Comments and Third-Party Views

We provided a draft of this report to the Foundation and the IPA for review and comment. The Foundation’s National Director and Audit Chairman stated in an e-mail that they were pleased that GAO found no significant issues related to the IPA’s audit of the Foundation’s fiscal year 2016 financial statements. In addition, the IPA provided its views through e-mail, in which the IPA’s Audit Principal stated that the IPA had no comments in regard to our report.

- - - - -

We are sending copies of this report to the National Director of the Congressional Award Foundation and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-3406 or [malenichj@gao.gov](mailto:malenichj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff members who made key contributions to this report include Anne Sit-Williams (Assistant Director), Lauren S. Fassler, Zachary Kinger, Lisa Motley, and Carrie Wehrly.

A handwritten signature in black ink that reads "J. Lawrence Malenich". The signature is written in a cursive, flowing style.

J. Lawrence Malenich  
Director  
Financial Management and Assurance

*List of Committees*

The Honorable Ron Johnson  
Chairman

The Honorable Claire McCaskill  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Virginia Foxx  
Chairwoman  
The Honorable Robert C. Scott  
Ranking Member  
Committee on Education and the Workforce  
House of Representatives

The Honorable Jason Chaffetz  
Chairman  
The Honorable Elijah Cummings  
Ranking Member  
Committee on Oversight and Government Reform  
House of Representatives  
(101683)