



NATIONAL
ARCHIVES

OFFICE *of*
INSPECTOR GENERAL

Date: December 19, 2014

Reply to: Office of Inspector General (OIG)

Subject: Audit Report No. 15-05: CliftonLarsonAllen's NARA FY 2014 Financial Statements
Independent Audit Report

To: David S. Ferriero, Archivist of the United States (N)

CliftonLarsonAllen, LLP (CLA) issued an unmodified opinion on NARA's FY 2014 financial statements. CLA reported no material weaknesses in internal control over financial reporting, and disclosed no significant deficiencies and no instances of noncompliance with certain provisions of laws and regulations. CLA's reports for the subject audit are attached.

We reviewed CLA's reports and related documentation and corresponded with its representatives. Our review of CLA, as differentiated from an audit in accordance with U.S. Generally Accepted Government Auditing Standards (GAGAS), was not intended to enable us to express, as we do not express, an opinion on NARA's financial statements or conclusions about the effectiveness of internal control or on whether NARA's financial management system substantially complied with the Federal Financial Management Improvement Act of 1996, or conclusions on compliance with laws and regulations. CLA is responsible for the attached auditor's reports dated November 10, 2014 and the conclusions expressed in the report. However, our review disclosed no instances where CLA did not comply, in all material respects, with GAGAS.

Your response to the draft reports is attached. As with all OIG products, we will determine what information is publically posted on our website from the attached report. Should you or management have any redaction suggestions based on FOIA exemptions, please submit them to my counsel within one week from the date of this letter. Should we receive no response from you or management by this timeframe, we will interpret that as confirmation NARA does not desire any redactions to the posted report.

We appreciate the cooperation and assistance NARA extended to CLA and my staff during the audit. If you have any questions, please contact me on (301) 837-3000.

James Springs
Acting Inspector General

Attachment: Final Report No. 15-05: CliftonLarsonAllen's NARA FY 2014 Financial Statements
Independent Audit Reports



INDEPENDENT AUDITORS' REPORT

The Inspector General
National Archives and Records Administration

Report on the Financial Statements

We have audited the accompanying financial statements of National Archives and Records Administration (NARA), which comprise the balance sheet as of September 30, 2014, and the related statements of net cost and changes in net position, the combined statement of budgetary resources for the year then ended, and the related notes to the financial statements (financial statements).

Management's Responsibility for the Financial Statements

NARA management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.) and the design, implementation, and maintenance of internal control over financial reporting relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 14-02). Those standards and OMB Bulletin 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are also responsible for applying certain limited procedures with respect to the required supplementary information and other information included with 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 NARA as of September 30, 2014, and its net costs, changes in net position, and budgetary resources for the year then ended, in accordance with accounting principles generally accepted in the U.S. The financial statements of NARA as of and for the year ended September 30, 2013 (FY 2013) were audited by other auditors, whose report dated December 16, 2013, expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the U.S. issued by the Federal Accounting Standards Advisory Board (FASAB) require that Management Discussion and Analysis (MD&A) on Section 1 and other Required Supplementary Information (RSI) on Section 2 of the Annual Financial Report (AFR) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by FASAB, 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 and other RSI 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 MD&A and other RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The other information (OI) on Section 3 of the AFR, the Letter from the Archivist, and the Letter from the Chief Financial Officer contains a wide range of information, some of which is not directly related to the financial statements.

This information is presented for purposes of additional analysis and is not a required part of the financial statements or RSI. The OI has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NARA's internal control over financial reporting (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 NARA'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 NARA'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 NARA'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 attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance

As part of obtaining reasonable assurance about whether NARA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements consistent with our professional responsibilities discussed below.

Management's Responsibility for Internal Control and Compliance

Management is responsible for (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA); (2) providing a statement of assurance on the overall effectiveness on internal control over financial reporting; and (3) complying with other applicable laws, regulations, contracts, and grant agreements.

Auditors' Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit; and (2) testing compliance with certain provisions of laws, regulations, contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts and applicable laws and regulations for which OMB Bulletin 14-02 requires testing.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. 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, regulations, contracts and grant agreements applicable to NARA. We limited our tests of compliance to certain provisions of laws, regulations, contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts and applicable laws and regulations for which OMB Bulletin 14-02 requires testing. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of NARA's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NARA's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Arlington, VA
November 10, 2014



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Date: November 12, 2014
To: James Springs, Acting Inspector General
From: David S. Ferriero, Archivist of the United States
Subject: Management Response to the FY 2014 Financial Statement Audit

Thank you for the opportunity to review your reports, *Independent Auditor's Report* and *Independent Auditor's Report on Internal Control and Compliance*, related to the financial statement audit of the National Archives and Records Administration for the fiscal year ending September 30, 2014.

I am pleased to have received an unmodified or "clean" independent audit opinion on our financial statements. An unmodified opinion recognizes NARA's commitment to producing accurate and reliable financial statements, and supports our efforts to continuously improve our financial management program.

I would like to thank the Office of Inspector General and CliftonLarsonAllen LLP for their cooperative and professional approach.

DAVID S. FERRIERO
Archivist of the United States