

MEMO

Date June 23, 2020
To Dr. Carla Hayden
Librarian of Congress
From Kurt W. Hyde 
Inspector General
Subject Results of the Library of Congress' FY 2019 Fiduciary Fund Financial
Statement Audit, Report No. 2019-FN-103

The attached report present the results of the audit of the fiscal year (FY) 2019 statement of fiduciary net assets and statement of fiduciary activity of the Library of Congress (Library).

We contracted with the independent public accounting firm of Cotton & Company, LLP (Cotton) to audit the financial statements of the Library's fiduciary fund as of and for the FYs ended September 30, 2019, and 2018, and to provide a report on internal control over financial reporting and compliance with laws and other matters. The contract required that the audit be performed in accordance with *Government Auditing Standards*, Office of Management and Budget audit guidance, and the GAO/CIGIE *Financial Audit Manual*.

Results of Independent Audit

In its audit of the Library's fiduciary fund, Cotton reported:

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material or significant weaknesses in internal control over financial reporting;¹ and

¹ 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 Library'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.

- no reportable noncompliance with provisions of laws and regulations tested or other matters.

Office of the Inspector General Oversight of Cotton

In connection with the contract, we reviewed Cotton's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with *Government Auditing Standards*, was not intended to enable us to express, and we do not express, opinions on the Library's financial statements, conclusions about the effectiveness of internal controls over financial reporting, or on compliance with laws and other matters. Cotton is responsible for the attached auditor's report dated June 17, 2020, and the conclusions expressed therein. However, our review disclosed no instances where Cotton did not comply, in all material respects, with *Government Auditing Standards*.

cc: Principal Deputy Librarian
Acting Register of Copyrights
Chief Operating Officer
Chief Financial Officer
General Counsel

Attachment



INDEPENDENT AUDITORS' REPORT

To the Inspector General
Library of Congress

In our audits of the fiscal years 2019 and 2018 statements of fiduciary net assets and statements of fiduciary activity (the fiduciary financial statements) of the Library of Congress we found:

- The fiduciary financial statements as of and for the fiscal years ended September 30, 2019 and 2018, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- No material weaknesses in internal control over financial reporting as of September 30, 2019; and
- No reportable noncompliance in fiscal year 2019 with the provisions of applicable laws; regulations; contracts; and grant agreements that we tested.

The following sections contain:

1. Our report on the fiduciary financial statements referred to above; and
2. Other reporting required by *Government Auditing Standards*, which is our report on the Library of Congress' (a) internal control over financial reporting, and (b) compliance with laws; regulations; contracts; and grant agreements.

REPORT ON THE FIDUCIARY FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Library of Congress, which comprise the statements of fiduciary net assets as of September 30, 2019 and 2018, the related statements of fiduciary activity for the years then ended, and the related notes to the fiduciary financial statements.

Management's Responsibility for the Fiduciary Financial Statements

Management is responsible for the preparation and fair presentation of these fiduciary financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of fiduciary 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 fiduciary financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued in 2011 by the Comptroller General of the United States. Those standards require that we plan

and perform the audit to obtain reasonable assurance about whether the fiduciary financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the fiduciary financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the fiduciary 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 fiduciary 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 fiduciary financial statements.

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

Opinion

In our opinion, the fiduciary financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the Library of Congress as of September 30, 2019 and 2018, and its fiduciary activity for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1(b) to the fiduciary financial statements, fiduciary assets are not assets of the Library of Congress and are not recognized on the balance sheet of the Library of Congress. Our opinion is not modified with respect to this matter.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Report on Internal Control over Financial Reporting and on Compliance with Laws; Regulations; Contracts; and Grant Agreements

Internal Control over Financial Reporting

In planning and performing our audit of the fiscal year 2019 fiduciary financial statements, we considered the Library of Congress' 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 fiduciary financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library of Congress' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library of Congress' internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting, 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 *significant deficiency* is a deficiency, or a

combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

We will issue a separate letter to management, which will describe certain other deficiencies that are less important than material weaknesses or significant deficiencies.

Inherent Limitations of Internal Control over Financial Reporting

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Compliance with Laws; Regulations; Contracts; and Grant Agreements

As part of obtaining reasonable assurance about whether the Library of Congress' fiduciary financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws; regulations; contracts; and grant agreements, noncompliance with which could have a direct and material effect on the determination of fiduciary financial statement amounts. 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.

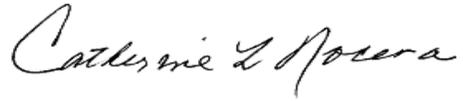
We did not test compliance with all laws; regulations; contracts; and grant agreements applicable to the Library of Congress. We limited our tests of compliance to those provisions of laws; regulations; contracts; and grant agreements that we deemed applicable to the fiduciary financial statements for the fiscal year ended September 30, 2019. We caution that noncompliance may have occurred and may not have been detected by these tests, and that such testing may not be sufficient for other purposes. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the "Other Reporting Required by *Government Auditing Standards*" is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This other reporting is an integral part of an audit performed in accordance with *Government Auditing Standards* in

considering the entity's internal control and compliance. Accordingly, this other reporting is not suitable for any other purpose.

COTTON & COMPANY LLP

A handwritten signature in black ink that reads "Catherine L. Nocera". The signature is written in a cursive style with a large initial 'C'.

Catherine L. Nocera, CPA, CISA
Partner
Alexandria, VA
June 17, 2020

MEMORANDUM

DATE June 10, 2020
TO Kurt Hyde, Inspector General
FROM Carla Hayden, Librarian of Congress *Carla Hayden*
SUBJECT Management Response to Independent Auditor's Report on the Library of Congress' FY 2019 Fiduciary Fund Financial Statement

The Library of Congress (Library) has reviewed the draft Independent Auditor's Report from Cotton & Company, LLP, which includes the auditor's opinion on the Library's fiduciary net assets and statement of fiduciary activity, consideration of the Library's internal control over financial reporting, and report on compliance with laws and regulations.

We are pleased the Library's U.S. Copyright Office (USCO) again received a clean audit opinion. We appreciate the professionalism and dedication by all parties during this audit process. As this opinion demonstrates, the USCO remains committed to strong financial governance and management in the execution of its fiduciary duties.

Attachment

cc: Maria Strong, Acting Register of Copyrights
Mary Klutts, Chief Financial Officer
Jody Harry, USCO Chief Financial Officer