

The Library of Congress  
*Office of the Inspector General*

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**Library-wide**

*Improper Payments Review*

Review Report No. 2010-AT-103  
March 2011

FOR PUBLIC RELEASE





UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS

**Memorandum**

*Office of the Inspector General*

**TO:** James H. Billington  
Librarian of Congress

March 1 , 2011

**FROM:** Karl W. Schornagel  
Inspector General

A handwritten signature in black ink, appearing to read 'Karl Schornagel'.

**SUBJECT:** Improper Payments Review  
Project No. 2010-AT-103

This transmits our final report summarizing the results of the Office of the Inspector General's review of improper payments. The executive summary begins on page *i*, and our findings appear on page 5.

We are pleased to report that the Library's internal controls for preventing and detecting duplicate payments were operating effectively. Therefore, there are no specific recommendations at this time.

We appreciate the cooperation and courtesies extended by Financial Reporting Office staff in the Office of the Chief Financial Officer during this review.

cc: Chief of Staff

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## ▶▶ EXECUTIVE SUMMARY

For years, news reports have cultivated the public's scorn with stories of excessive improper payments by federal agencies for everything from \$500 hammers to space ship lavatory facilities. Today, attention to federal agency control over improper payments has dramatically increased due to the country's dire fiscal conditions and the need to rein in all unnecessary federal spending.

In an effort to evaluate the Library's exposure to improper payments and to assist Library management in detecting and preventing them, the Office of the Inspector General is implementing a program of ongoing limited reviews to detect improper payments at the Library. This is the first in a planned series of those reviews.

Improper payments are generally defined as payments that should not have been made or were made in incorrect amounts. Any payment an agency makes to an ineligible recipient or for an ineligible service, duplicate payment, payment for services not received, and payment in an incorrect amount meets the definition of an improper payment. In addition, when an agency cannot discern the propriety of a payment due to insufficient documentation, the payment also qualifies as improper.

Our analysis focused on fiscal year 2010 disbursements to ascertain whether the Library made any duplicate payments. Two duplicate payments were found in the amount of \$1,628 and \$1,030. At the time we identified these payments, we determined that responsible program officials had already detected the improper payments and were in the process of pursuing the erroneous transactions. The results of our analysis led us to conclude that the Library's internal controls for preventing and detecting duplicate payments were operating effectively.

Despite these results, the Library cannot rely on prior internal control compliance to assure that future disbursement activity does not result in improper payments. Given the importance of improper payment control in today's fiscal environment, our office plans to conduct ongoing limited reviews of improper payments and intends to expand the scope of the transactions examined.

## ▶▶ BACKGROUND

Under various statutes, Congress has granted the Library the authority to receive and disburse funds for its own operations.<sup>1</sup> This authority is relatively rare among federal agencies, as most rely on the Department of the Treasury to issue payments on their behalf. Using this authority, the Library transacts payments to its vendors and customers primarily through checks and automated clearing house (ACH) transfers issued by its Disbursing Office (DO) operating in the Office of the Chief Financial Officer (OCFO). During fiscal year 2010, the Library issued 28,060 ACHs and 3,536 checks totaling \$626.9 million and \$10.2 million, respectively.<sup>2</sup>

Given the volume, timing, and amount of funds the Library oversees, management must maintain an effective system of internal control that prevents occurrences of improper payments. An effective system of internal control must assure the accuracy and propriety of a disbursement transaction including authority, receipt of goods and services, payee, amount, payment destination, and recording.

In September 2008, we reported that the DO needed to improve certain internal controls over issuing electronic payments and resolving rejected vendor payments.<sup>3</sup> Overall, controls were found to be strong. To complement our review of internal control, we have implemented a program for periodically reviewing improper payments.

Improper payments have been an increasing problem throughout the federal government. In March 2010, the Office of Management and Budget (OMB) issued a memorandum (10-13 *Issuance of Part III to OMB Circular A-123, Appendix C*) to provide guidance to executive agencies for identifying and preventing improper payments. Non-executive federal agencies can also use this guidance as best practices. An improper payment was defined as:

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<sup>1</sup> 2 USC §§ 142a-142l, 17 USC § 111d-2, and 20 USC § 2143.

<sup>2</sup> ACH disbursements include both vendor payments and payroll.

<sup>3</sup> *Disbursing Office Controls, While Strong Overall, Can Be Improved*, Report No. 2007-PA-103, September 2008.

“...any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments and underpayments (including inappropriate denials of payment or service). An improper payment includes any payment that was made to an ineligible recipient or for an ineligible service, duplicate payments, payments for services not received, and payments that are for the incorrect amount. In addition, when an agency’s review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an error.”

In conducting our review, we used Circular A-123 as guidance.

## ►► OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to determine whether any duplicate payments occurred during fiscal year 2010. The scope of our review included all payments made by the DO during fiscal year 2010.

To accomplish our objectives, we conducted an online survey to identify areas where improper payments could occur. We sent surveys to Contracting Officer Technical Representatives (COTRs) throughout the Library and to DO personnel within the Office of the Chief Financial Officer (OCFO). Surveys asked what measures and procedures were taken to detect and prevent improper payments and whether COTRs received proper training from the Office of Contracts and Grants Management.

In addition, we obtained from the Financial Reporting Office (FRO) fiscal year 2010 expenditure data recorded in the Library's financial management system, Momentum, as of September 14, 2010.<sup>4</sup> Using data analytics software, we performed 100% testing on 24,734 records to search for duplicate payments which had the same payment amount, invoice number, and invoice date. Matching results were examined further with inquiries made directly on Momentum for supporting documentation to determine whether a duplicate payment had actually occurred. We noted several instances of false positives that were recorded in Momentum with the same criteria used to search for duplicate payments. Further inquiries determined that most payments were not duplicate payments but rather payments legitimately made to different recipients for the same event (e.g., grant payments, honorariums, and training reimbursements).

Where we discovered actual duplicate payments, we made inquiries with the COTR responsible for approving invoices for payment to determine the cause. In order to continually review for duplicate payments, we have created a script using our data analytics software that will analyze expenditure data for duplicates based on the same criteria above. Results will require further review in order to determine the disposition of any matching records.

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<sup>4</sup> FRO provided us access to an ad hoc report on the Financial Reporting System for extracting fiscal year expenditure data on demand.

We conducted this review in accordance with *Quality Standards for Inspection and Evaluation* published by the Council of the Inspectors General on Integrity and Efficiency.



## ►► FINDINGS

We conducted a survey to gain a preliminary assessment of the Library's controls for preventing and detecting improper payments. Our office sent surveys to the DO and all Contracting Officer Technical Representatives (COTRs). The survey responses from 263 COTRs revealed violations of Library policy including eight percent of COTRs delegating their authority to someone else and twelve percent not reviewing and approving invoices before submission for payment.<sup>5</sup>

We also performed a duplicate payment analysis on fiscal year 2010 expenditure data provided by the Financial Reports Office (FRO) via the Financial Reporting System. We detected two duplicate payments totaling \$1,627.80. Both duplicate payments were discovered by the COTRs a few days prior to our inquiry and corrective action was taking place. One COTR could not explain how a \$1,029.18 duplicate payment occurred. The duplicate payments were for the same invoice but made out to different vendor names (Verizon and MCI). The other duplicate payment for \$598.62 occurred when both the Acquisitions Office and the Congressional Research Service (CRS) paid the same invoice which belonged to CRS.

Based on survey results and our expenditure analysis, we believe that the Library has adequate controls in place to prevent and detect duplicate payments. We will continue to review this area using automated tools on an ongoing basis. We will report the results of our ongoing efforts to the Chief Financial Officer and the DO for review and resolution.

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<sup>5</sup> The survey results of 12% of respondents not reviewing and approving invoices before payment pointed to a training and compliance problem. During the summer of 2010, the Office of Contracts and Grant Management implemented new training for COTRs. Our review of the new training material determined that invoice review and approval was an area of training emphasis. Subsequent reviews of improper payments will provide an indicator of whether compliance with this control is affected.

## » CONCLUSION

Improper payments, such as duplicate payments, continue to plague many federal agencies and have come under both Presidential and public scrutiny. In the current budget environment, improper payments siphon off valuable agency resources and contribute to public cynicism about federal fiscal responsibility. It is imperative that every federal agency reduce improper payments.

Our initial testing for duplicate payments at the Library found encouraging results. However, given the growing threat improper payments pose for federal agency fiscal control, our office will continue to review the Library's disbursements to detect improper payments. Additionally, we intend to enhance the scope of our improper payment reviews to detect other irregularities that may result in improper payments by introducing automated file analysis of complementary transactions such as purchase card transactions, vendor file data, and wage and salary transactions. We believe that these measures are necessary and prudent in today's fiscal environment.

### **Major Contributors to This Report:**

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**▶▶ APPENDIX: MANAGEMENT RESPONSE**

LIBRARY OF CONGRESS

OFFICE OF THE CHIEF FINANCIAL OFFICER

**MEMORANDUM****DATE** March 8, 2011

**TO** Karl W. Schornagel  
Inspector General of the Library of Congress

**FROM** Jeffrey Page  
Chief Financial Officer

**SUBJECT** Response to IG Project No. 2010-AT-103, Improper Payments Review

Thank you for the opportunity to comment on IG Project No. 2010-AT-103, Improper Payments Review. We agree that the Library has adequate controls in place to prevent and detect duplicate payments. We recently began performing post-payment reviews. Our reviews consist of a 100% review of documents over a predetermined threshold and review of a sample of documents below the threshold. We have completed the review of payments for fiscal 2009 and there were no material findings. We are currently performing our review of fiscal 2010 payments. Upon completion of our review for fiscal 2010, we will be performing the reviews quarterly. We welcome your continued reviews using automated tools to detect irregularities.