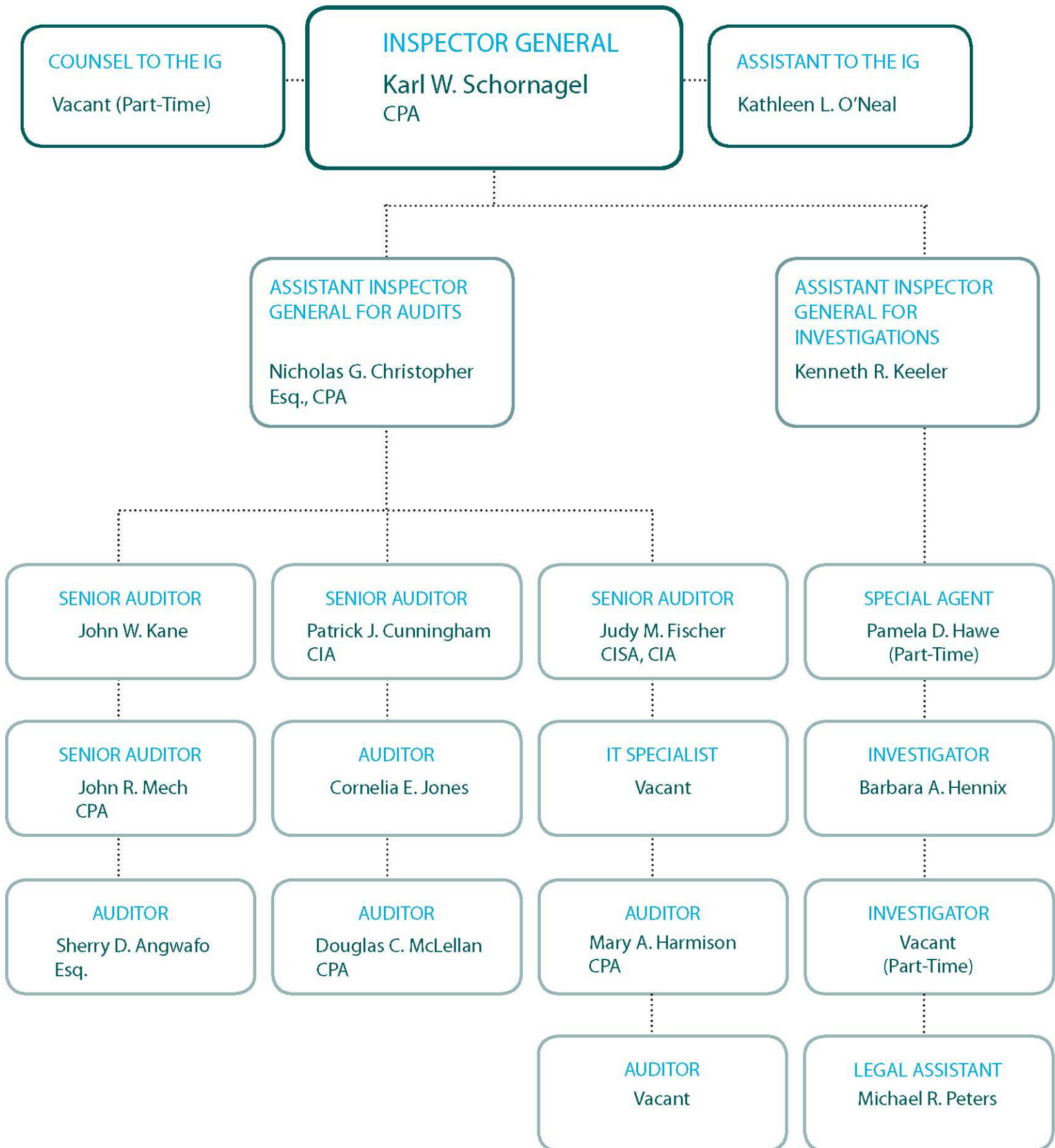


# SEMIANNUAL REPORT TO THE CONGRESS

The Library of Congress • September 30, 2006  
Office of the Inspector General







# *The* LIBRARY *of* CONGRESS

October 31, 2006

## A MESSAGE FROM THE INSPECTOR GENERAL

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I am pleased to present our Semiannual Report to the Congress for the period ending September 30, 2006.

In the last six months we prepared reports on performance-based budgeting, warehouse controls, the “North Carolina Telecommunications Project” grant, the fiscal year (FY) 2005 Library-wide and Cooperative Acquisitions Program Revolving Fund financial statements, the digital talking book program, the NEWSLINE fund, and indirect cost rates related to two of the Library’s grant programs. We also reviewed the initiative to acquire an asset management system and project plans for the “New Visitors’ Experience.” In addition, we followed up on our FY 2004 audit of reading room space allocations and FY 2005 audit of succession planning, and continued to monitor visitor tunnel preparation activities. Finally, we conducted several investigations on topics ranging from copyright infringement to personal information security.

In the next six months, we will report on in-progress reviews of the Library’s collections acquisition program, human resources policies, travel administration, management of the contracts office, financial disbursements, research request services, National Digital Information Infrastructure and Preservation Program grants, the Library’s and Madison Council’s FY 2006 financial statements audits, the FY 2006 financial statements audit of the Open World Leadership Center, and other topics.

We look forward to a continued harmonious relationship with Library management, and appreciate the support and cooperation extended to our staff.

Karl W. Schornagel  
Inspector General

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## INTRODUCTION

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THE MISSION OF THE OFFICE OF THE INSPECTOR GENERAL IS TO PROMOTE ECONOMY, EFFICIENCY, AND EFFECTIVENESS BY DETECTING AND PREVENTING WASTE, FRAUD, AND ABUSE.

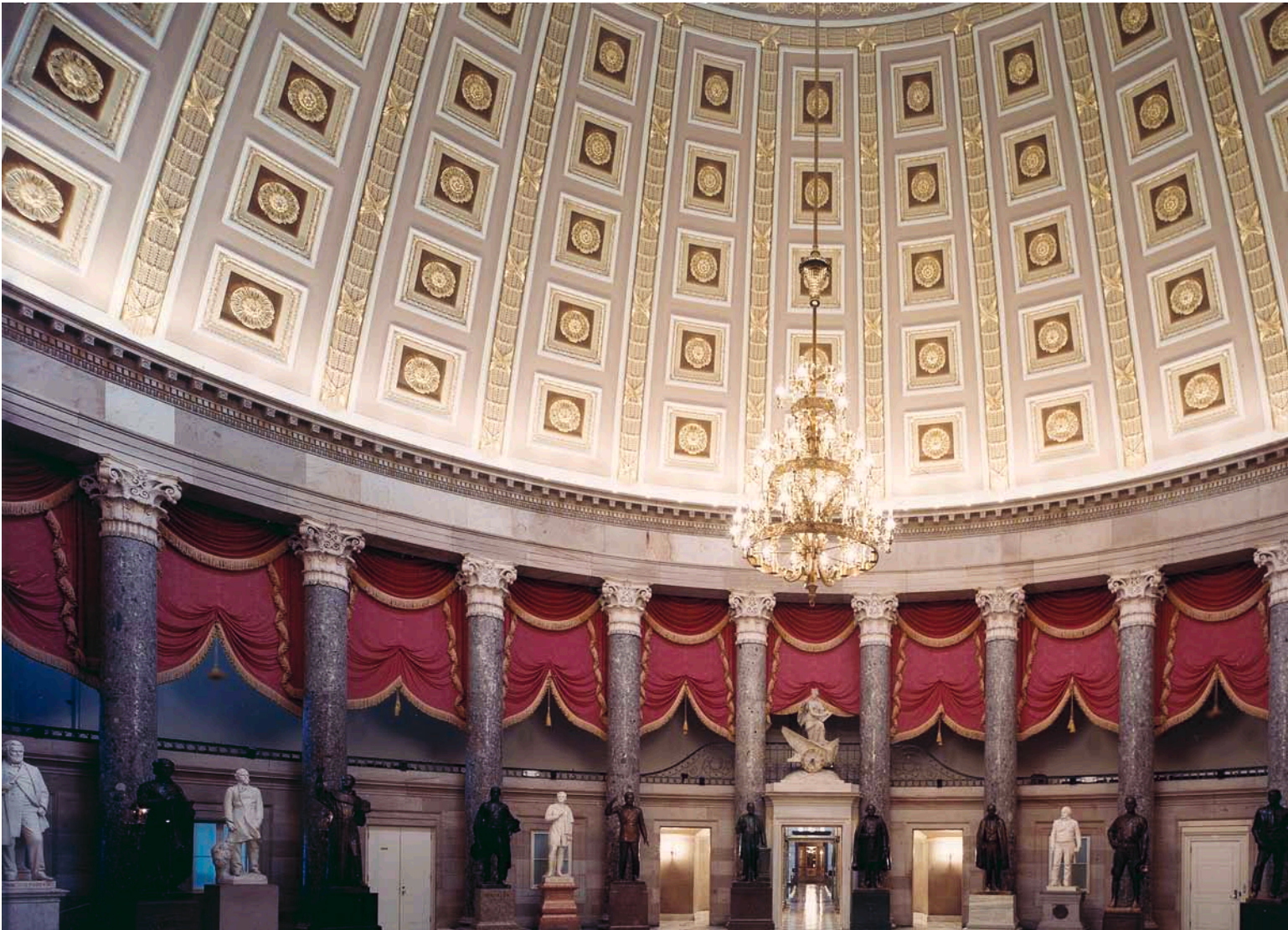
To accomplish our mission, we conduct audits and investigations. Our goals, objectives, strategies, and performance indicators can be found in our Strategic Plan, available on our Web site at <http://www.loc.gov/about/oig>.

In addition to conducting audits and investigations, we lend our expertise on a consulting basis to many Library offices and external organizations. We are currently working with the Center for Research Libraries in an advisory capacity to determine an approach for auditing and certifying repositories of digital information.

Our philosophy is to be proactive rather than audit “after the fact.” We believe this approach results in a more efficient use of resources by detecting and preventing problems early. Accordingly, we are following several key projects throughout the Library and rendering assistance and making recommendations as needed.

Our highly qualified staff of eight auditors and two investigators is educated and certified in various disciplines. We are, collectively, five certified public accountants, two attorneys, two certified internal auditors, one certified information systems auditor, and one librarian.





The U.S. Capitol: National Statuary Hall viewed from the south

# AUDITS

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## PERFORMANCE-BASED BUDGETING

[Audit Report No. 2004-FN-501](#)  
[September 2006](#)

Congress has directed the legislative agencies including the Library to begin to use performance based budgeting (PBB). PBB is designed to improve governmental accountability by linking budget decisions to results. This provides decision-makers with the means to objectively evaluate and allocate budgetary resources. We conducted a review of the Library's current budgeting process with the objective of evaluating Library management's progress in moving toward PBB.

Our audit found that the Library has initiated the development of several components of PBB, including significant emphasis on revamping its strategic planning process. We concluded that the Library's development of PBB could be improved with a plan of action and milestones that coordinates PBB development with other performance management functions. Specifically, we made the following recommendations for improving and expediting the Library's transition to PBB:

**Plan of Action and Milestones** – The Library should develop a plan that identifies the roles of key members of senior management as well as milestones for the completion of key PBB elements.

**Administrative Officer** – The Chief Financial Officer should be appointed as the PBB administrative officer.

**Policy Improvements** – The Library should enhance its policy for Planning, Budgeting, and Program Performance Assessment by designating responsibility for conducting external environmental assessments, identifying duplications in programs and services, and exempting areas from certain elements of PBB where its use is impractical.

**Performance Management Information System** – Planning should begin now for an automated entity-wide performance management information system.

**Coordination of Functions** – Library management should coordinate efforts for workforce transformation, performance management, and PBB.

Library management generally disagreed with our recommendations. As a result, they are unresolved at this time.

## TELECOMMUNICATIONS GRANT

[Audit Report No. 2006-FN-502](#)  
[September 2006](#)

In December 2001, the Library awarded the North Carolina Telecommunications Project ("the grant") to the Education and Research Consortium of the Western Carolinas, Inc. (ERC). The grant's purpose is to provide a low-cost, high-speed connection between the Library of Congress and educational facilities, libraries, and networks serving the western Carolinas.

We performed an audit of the grant. Our objective was to determine if ERC was administering the grant according to its terms and conditions and applicable laws and regulations. Overall, we found that ERC was adequately administering the grant, but had some findings and recommendations, as follows:

**Noncompliance with Certain Grant Provisions** – ERC did not comply with certain grant provisions. First, it did not maintain a separate grant bank account for program income. As a result, it may not have been able to distinguish between grant funds and program income. Second, ERC has neither acknowledged the Library in certain materials





publicizing the grant, nor obtained the Library's approval prior to using its name in other materials. As a result, the Library's ability to protect the goodwill and prestige associated with its name is impaired and the general public is denied the opportunity to know how its tax money is being spent. We recommended that ERC immediately establish a separate bank account for grant program income, begin acknowledging the Library in the grant's publicity materials, and stop using the Library's name without prior approval.

**Lack of Adequate Policies and Procedures – ERC's Operating Policies Manual** did not contain procedures for drawing down funds, determining allowability of costs, administering program income, acknowledging and using the Library's name, or for making key personnel changes. As a result, adequate safeguards did not exist to control ERC's program and financial management of the grant. We recommended that ERC make appropriate revisions to its policy manual to provide procedures to address these important management areas.

Both ERC and the Library's Grants Management Office concurred with our findings, and have already begun implementing our recommendations.

## **WAREHOUSE INTERNAL CONTROLS**

[Attestation Report No. 2005-AT-904](#)  
June 2006

The Library's Logistics Section manages more than 100,000 assets valued at over \$200 million. Because of recent thefts of Library computers from the Landover Annex Warehouse, we conducted a review of the internal control system in place at the warehouse to determine whether inventory controls, management oversight, and physical security were comparable to best industry practices.

We determined that the controls are not comparable to best industry practices. However, management has taken action in the past two years to address control weaknesses. If these actions and our recommendations are properly implemented and pursued continuously, improvements in

physical inventory controls and inventory record accuracy, as well as physical security for the warehouse will result. Our findings and recommendations are summarized as follows:

**The Logistics Section Has Not Maintained Physical Accountability of its Inventory –** For the two years prior to thefts of computers, warehouse staff had neither performed inventories of assets stored at the warehouse, nor maintained perpetual inventory records. During our field work, Logistics was adding inventory data into a new automated inventory system, "Intellitrack." We recommended conducting periodic counts of the highly susceptible assets and comparing the counts with inventory records. We also recommended limiting access to the Intellitrack system and assigning the Assistant Head of Logistics or a designated alternate responsibility for recording inventory adjustments.

**Security Measures Did Not Sufficiently Address the Threat of Employee Theft –** Overall security needs to be better targeted to address the threat of employee theft. Although infrastructure security weaknesses are being addressed, additional inspections are needed to further improve overall security.

**Better Separation of Duties and Reconciliations Should Improve Receiving and Shipping –** To improve inventory integrity, we recommended separating the functions of entering information into the Intellitrack inventory system and performing the custodial activities such as receiving, shipping, and storing physical assets. We also recommended that Logistics periodically reconcile all back orders with the service units to determine if the vendors filled the orders.

**Greater Separation of Duties Is Necessary To Ensure Integrity of the "Computers for Learning" Program –** Landover warehouse staff are responsible for both processing requests from charitable organizations to participate in the program and disposing of surplus property. Management should assign someone not working at the Landover warehouse responsibility for processing and approving



participation requests. We also recommended considering the surplus program operated by Dell Computers, Inc. as a best practice.

The Library's warehousing and security officials generally agreed with our findings.

## **LIBRARY OF CONGRESS FISCAL YEAR 2005 FINANCIAL STATEMENTS**

[Audit Report No. 2005-FN-502](#)  
May 2006

Kearney & Company audited the Library's consolidated balance sheets as of September 30, 2005 and 2004, and the related consolidated statements of net costs, changes in net position, and financing, and the combined statements of budgetary resources for the fiscal years then ended. In the auditors' opinion, the financial statements, including the accompanying notes, present fairly in all material respects the financial position of the Library and its net costs, changes in net position, budgetary resources, and financing in conformity with generally accepted accounting principles. The Library's financial statements were delayed because of the implementation of its new financial system in FY 2005.

The auditors also performed tests of compliance with laws and regulations; considered internal controls over financial reporting and compliance; and in a separate report, examined management's assertion about the effectiveness of internal controls over safeguarding collections assets.

The auditors found one instance of non-compliance with laws and regulations. The auditors performed tests of compliance with certain provisions of laws and regulations and determined that during FYs 2005 and 2004, the Library was not in compliance with the Congressional Accountability Act of 1995. In the Act, Congress made its facilities and employees subject to the same safety laws that apply outside the legislative branch. The Office of Compliance conducted a yearlong fire safety investigation that culminated in a report issued in January 2001 that

identified numerous safety hazards in the Library's three Capitol Hill buildings. As of this semiannual period, the Library has abated ninety-nine percent of the fire safety hazards for which it is responsible, and has devised a plan of action to abate the remaining open items.

**Internal Controls Over Financial Reporting** – The auditors did not express an opinion on internal controls. However, their evaluation of those controls revealed the following reportable conditions:

**Weaknesses in the General Support Systems (GSS) (Modified Repeat Condition)** – The General Support Systems include hardware and supporting utility software to maintain the overall system. Effectively applied, controls in this area increase the likelihood that data confidentiality, integrity, and availability are maintained in the application systems.

The auditors identified control weaknesses in the Library's GSS that affected the availability, integrity, and confidentiality of all applications and data residing in the processing environment. In order to address the control concerns, the Library's Information Technology Services (ITS) developed the Financial Hosting Environment (FHE) to maintain only certified and accredited GSS and applications. ITS completed the FHE in late June 2005. While the FHE has appropriate risk assessments, security plans, and security testing and evaluations, it was in place for only three months of FY 2005, and therefore could not be relied on for the nine months of activity prior to the FHE's implementation.

**Entity-Wide Security Program Not Fully Implemented (Modified Repeat Condition)** – The Library had not implemented an entity-wide security program in compliance with Library of Congress Regulation 1620, "Information Technology Security Policy of the Library of Congress."

While the Library developed a plan and strategy for an entity-wide security program (dated July 2005), the program had not been implemented entity-wide. As of

January 2006, however, the Library established a more comprehensive entity-wide security program.

**Management's Assertion About the Effectiveness of Internal Controls Over Safeguarding Collections Assets** – Although the valuation of the collections of heritage assets is not reported in the Library's balance sheet, the assets represent an important stewardship responsibility requiring a system of controls to ensure accountability. To this extent, the Library includes in its financial statements a stewardship report and makes an assertion about the effectiveness of the internal controls over collections assets.

The auditors evaluated internal controls over collections assets by examining, on a test basis, evidence supporting management's assertion and by performing such other procedures as they considered necessary. The auditors believe that because of inherent limitations in internal controls as of September 30, 2005, unauthorized acquisitions, use, or disposition of collections assets may occur and may not be detected, and that the Library fairly represents that it cannot assert that collections inventory controls are fully implemented when heritage assets are in processing and in storage.

**COOPERATIVE ACQUISITIONS  
PROGRAM REVOLVING FUND  
FISCAL YEAR 2005 FINANCIAL STATEMENTS**

[Audit Report No. 2005-FN-502](#)  
[August 2006](#)

In 1958, the Congress approved Public Law 83-480, authorizing the Library to use foreign currencies that accrued to the government from sales of agricultural commodities to finance the acquisition of books, periodicals, and other materials. The law led to the formation of the Library's overseas offices and Cooperative Acquisitions Program.

Kearney & Company audited the FY 2005 and 2004 balance sheets and the related statements of net costs, changes in net position, budgetary resources, and financing of the Cooperative Acquisitions Program Revolving Fund

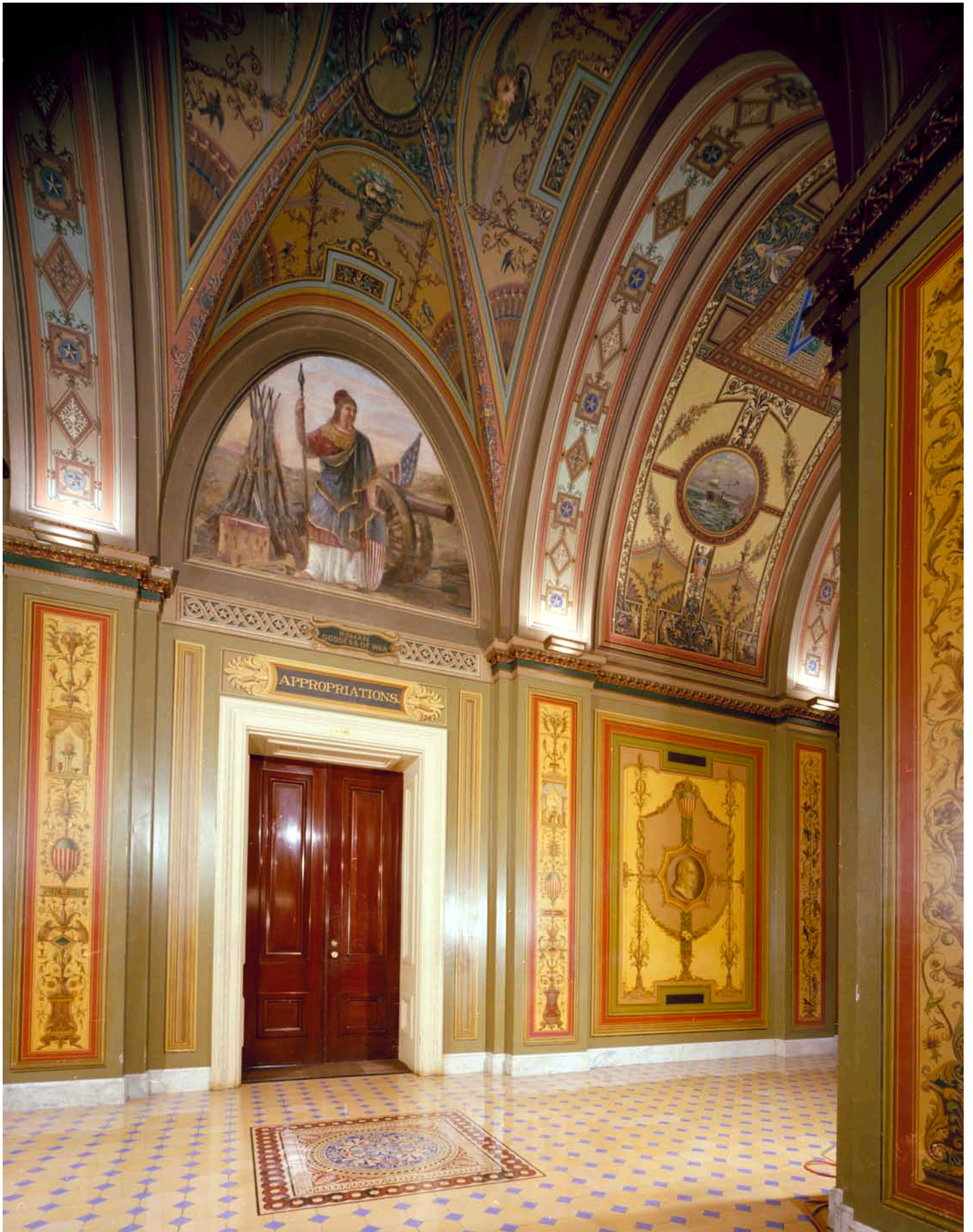
(the Fund) and issued its Independent Auditor's Report. The auditors concluded that the financial statements, including the accompanying notes, present fairly in all material respects the financial position of the Fund as of September 30, 2005 and 2004. The auditors found no material weaknesses in internal controls over financial reporting but did find two instances of noncompliance reportable under Government Auditing Standards:

**Noncompliance with the Congressional Accountability Act** – This finding mirrors the Library's finding listed on page 5 regarding safety violations.

**Noncompliance with Public Law 105-55** – This law requires the Fund to submit audited financial statements to the Congress no later than March 31 of each year for the prior fiscal year. The audit of the Fund's financial statements was delayed beyond its statutory due date because of the implementation of the Library's new financial system. The Library advised the appropriate Congressional oversight committees of the delay in issuing the statements.

The Fund is a component of the Library's consolidated financial statements. The Library processes all of the Fund's financial transaction. Therefore, the two reportable conditions related to Information technology that were identified in the Library's financial audit also affected the Fund's internal control structure.





The U.S. Capitol: Section of the West Corridor



# INVESTIGATIONS

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During this reporting period we opened – and closed – 21 investigations. We referred four cases to the U.S. Attorney’s Office; of those, three were declined and one is pending. We recovered \$4,000 in telephone credits, and prevented the illegal sale of 29 National Library Service for the Blind and Physically Handicapped (NLS) talking book players. We also forwarded four cases to Library management for administrative action. Case and Hotline activity are detailed below:

**TABLE 1: INVESTIGATION CASE ACTIVITY**

	CRIMINAL/CIVIL	ADMINISTRATIVE	TOTAL
Beginning of period	8	20	28
Opened	7	14	21
Closed	3	18	21
End of Period	12	16	28

**TABLE 2: HOTLINE ACTIVITY**

	COUNT
Allegations received	2
Referred to management for action	4
Opened as investigations	1
Closed with no action	1

## SIGNIFICANT CRIMINAL AND ADMINISTRATIVE INVESTIGATIONS

### Telecommunications Abuse - 800 Number

A Cataloging Distribution Services (CDS) manager complained to the Office of the Inspector General (OIG) about hundreds of harassing telephone calls from Puerto Rico to the CDS 1-800 Audix number. The calls incurred significant charges billed to CDS and limited recording space for legitimate calls. The manager also complained that over several months, AT&T had not resolved the problem. OIG special agents documented the offending calls and worked successfully with AT&T's law enforcement liaison to obtain a credit for past and future calls from the Puerto Rico caller, including a \$4,000 credit for prior charges. Agents identified and contacted the caller in an unsuccessful attempt to stop the calls. We enlisted the services of the ITS, who responded by setting up an Audix account to redirect the harassing calls. A local telephone company in Puerto Rico is contemplating a civil action against the caller. We may pursue criminal charges if the problem persists.

### Copyright Infringement

A Library contractor reported that an audio book that was narrated exclusively for NLS was for sale on eBay. OIG agents determined that the seller, a convicted felon, had sold 84 of the copyright-protected items after converting them to digital audio format. An Assistant U.S. Attorney declined to prosecute. The seller was banned from selling on eBay and NLS removed the individual from its Talking Books program.

### Falsifying Federal Employment Data

The Department of Labor (DOL) OIG alerted us to their arrest of a Library employee for stealing credit card information from the DOL and making unauthorized purchases while working there as a contractor. OIG agents determined that although fired from her contractor position at the DOL, she had failed to disclose the termination

when applying at the Library. As a result, her Library employment was terminated.

### Unauthorized Use of the Library's Name

The OIG received a complaint alleging unauthorized use of the Library's name for commercial purposes and solicitation on Library property. Our investigation determined that representatives of a company that marketed retail sales discounts had distributed coupons to Library staff in one of the Library's buildings. The print on the coupons read: "Compliments of the Library of Congress." We referred the matter to the Library's Office of General Counsel, who responded by enforcing existing Library regulations disallowing commercial vendors on Library property. Previously, vendors had been allowed if a sponsoring Library organization received a percentage of sales receipts.

### "Nigerian 419" Internet Scam

OIG agents acted on a tip from an external law enforcement source that an employee was communicating via Library e-mail with foreign nationals from Nigeria and Ghana engaged in an Internet fraud known as the "Nigerian 419" scam. The scammers promised to send the employee a large amount of money after he paid some related expenses, duping the employee into sending them approximately \$30,000. The employee also provided his Social Security number, birth date, and home address, thus exposing him to identity theft and further loss. OIG agents coordinated with the Library's Interpretive Services staff to refer the employee to an organization that would help him protect his remaining assets, and referred information about the employee's misuse of government time and equipment to Library management. Disciplinary action is pending. OIG agents also referred specific information about the scam to the U.S. Secret Service.

### Falsification of Time and Attendance Records

Library management officials alleged that two employees had engaged in time and attendance fraud. OIG agents examined records, security surveillance video tapes, and

electronic access files, which revealed significant fraud. Faced with the evidence, both subjects admitted to falsifying time and attendance records. An Assistant U.S. Attorney declined prosecution. One employee retired immediately following the OIG interview; a removal action has been proposed against the other.

#### Personal Information Improperly Discarded

An unattended trash bin in a public area containing a large amount of personal information was discovered by OIG staff. Social Security numbers, credit card receipts, and personal records were visible. OIG staff promptly advised the responsible manager about proper methods for disposal of personal information and management immediately tightened security procedures. The unsecured information may have exposed individuals to identify theft.

#### Computer Incident

An automation liaison employee working for NLS reported a key logger (a spyware tool) installed on a computer used to process financial and administrative information. An OIG agent transported the computer to the Library's Security Operations Center where it was examined by a Computer Incident Response Team member. Examination determined that the key logger had been installed without malicious intent. Members of the Security Operations Center and the Incident Response Team, which includes the OIG, provided several recommendations to Library management to prevent a recurrence.

#### Proactive Initiative: Internet Surveillance

We continue to monitor the Internet for stolen Library property. During this reporting period, we found 29 NLS cassette players and/or phonographs for sale on eBay. The sellers were contacted and directed to return the items to NLS.

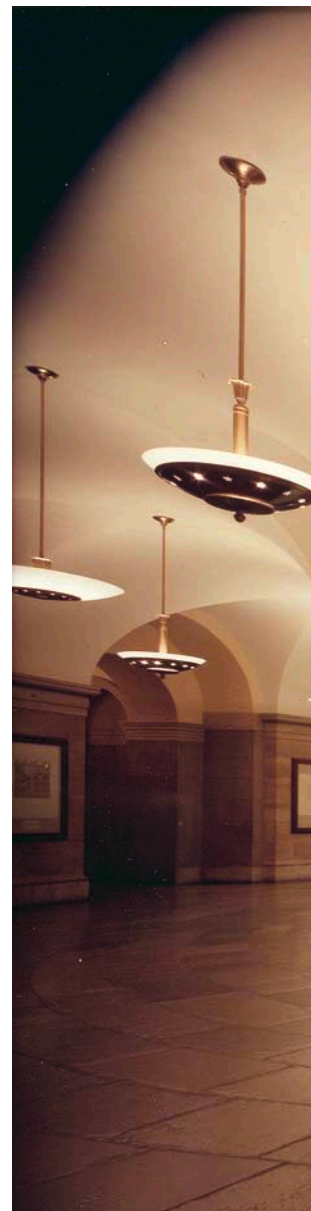
#### Case Updates

##### Misuse of Government Equipment

We previously reported a case involving evidence that a GS-14 employee had illegally accessed another employee's e-mail account and forwarded a derogatory message from the account to another Library employee. Management suspended the employee for 30 days.

##### Employee Attempts to Destroy Library Books

We previously reported a case involving a Library employee who had intentionally placed 23 books in a trash bin. Management removed the employee from his position for misconduct.







The U.S Capitol Crypt

## FOLLOW-UP ON PRIOR PERIOD RECOMMENDATIONS

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Effecting positive management change in Library programs and activities requires a four-phase approach: (1) identifying areas that could benefit from OIG reviews, then planning audits, (2) conducting audits and reporting the results, (3) obtaining agreement from Library managers to take action to resolve recommendations, and (4) following up to determine that implementation has occurred. Significant recommendations from previous semiannual reports on which corrective action has not been completed are contained in Table 3 on page 14.

We conducted three reviews this period to follow up on audits reported in prior semiannual reports:

### VISITOR TUNNEL PREPARATIONS

[Survey Report No. 2005-PA-102](#)  
[June 2005](#)

In FY 2005 we conducted an audit survey of preparations for opening the tunnel between the Jefferson Building and the Capitol Visitor Center (CVC). We found that activities requiring long lead times had been planned and executed to prepare for opening the tunnel to the public. We followed up on this survey in September 2006. In our follow-up we determined that all construction required to accommodate the tunnel had been completed.

In anticipation of the increased number of visitors to the Library due to the opening of the CVC, the Library is embarking on a program called the “New Visitors’ Experience” (NVE) that will reconfigure space in the Jefferson building to add and significantly enhance exhibits and the experience of visiting the Library. Project management for this program is under the Librarian’s Chief of Staff. The project will be opened in phases, with the first expected to coincide with the opening of the CVC in 2007.

We conducted a survey of the status of preparations for the NVE. We interviewed the Chief of Staff, key personnel in Library Services, and Integrated Support Services’ Facility

Design and Construction (FD&C). We reviewed the NVE operating plan and determined that Library Services has planned for the expected relocation of Library staff due to the reconfigured space. We found that FD&C has worked with the NVE team in developing scopes of work and contracting with architectural and engineering design firms. The NVE team has developed an intranet Web site as a means of communicating current NVE news to the staff and introduced the NVE theme “Bringing Knowledge Into Life,” to Library staff at a Town Hall Meeting in August.

Based on our survey work, we believe that the planning framework established by the NVE team is effectively addressing the Library’s plans for the NVE. We will continue to follow the Library’s progress in FY 2007.

### EDUCATION AND RESEARCH CONSORTIUM OF THE WESTERN CAROLINAS

[Report No. 2006-OF-701](#)  
[Fiscal Year 2005 Indirect Cost Rate](#)

In FYs 2000 and 2002, the Library awarded the “Adventure of the American Mind” and the “North Carolina Telecommunications Project” grants to ERC. Both grants incorporate Office of Management and Budget Circular A-133 requirements. These requirements, among others, mandate that an entity’s Federal cognizant agency is responsible for negotiating and approving its indirect cost rates. As the cognizant agency for ERC, the Library is responsible for approving indirect cost rates on behalf of all federal agencies providing funding to ERC.

We evaluated ERC’s FY 2005 indirect rate proposal and found errors in equipment classification and other issues. ERC agreed with our findings and revised its FY 2005 indirect rate proposal. We negotiated a rate .36 percent lower than the revised rate.

## SUCCESSION PLANNING

[Audit Report No. 2004-PA-105](#)  
March 2005

In March 2005, we issued an audit report on the Library's succession planning efforts. Our objective was to determine if the Library had a strategy to deal with the emerging challenges of maintaining its workforce into the 21st century.

We found that the Library's service units (aside from the Congressional Research Service and Copyright Office) did not have succession plans, and had not identified critical positions to ensure continuity of leadership and knowledge. Therefore, we recommended that the Library, with Human Resources Services at the helm, prepare a formal succession planning program. This program would provide guidance on succession planning to Library offices. We also recommended that Library offices link succession planning to their training and strategic plans and also identify mission-critical positions.

So far, the Library has resolved two of our recommendations. The Strategic Planning Office (SPO) recommended that Library offices' FY 2007 Annual Program Performance Plan objectives focus on workforce development and succession planning, and Library offices are now linking some components of succession planning to their training and strategic plans. At the same time, Library offices are in the process of identifying their mission-critical positions.

Notwithstanding progress in those areas, the Library has still not implemented a formal succession planning program. The Deputy Librarian has, however, agreed to include key succession planning components – the identification of key skills, knowledge and training needs, and leadership competencies – in the Library's Workforce Transformation Initiative. We will evaluate the effect of these actions once that initiative is under way.

## READING ROOM UTILIZATION

[Audit Report No. 2003-PA-104](#)  
March 2004

In March 2004, we issued an audit report on the utilization of the Library's reading rooms. Library Services has 20 reading rooms/information centers, the Congressional Research Service (CRS) two, and the Law Library one.

The objective of our audit was to determine whether reading room space is utilized in the most efficient way possible. We found that, in general, Library Services and the Law Library accumulated inconsistent and inaccurate reference statistics. Notwithstanding the limited usefulness of the statistics, we found that there was evidence of a substantial decline in the number of in-person visits to the Library.

We recommended that Library Services and the Law Library obtain more accurate and useful reading room usage data. We believe the use of a uniform sampling methodology would improve the reliability and efficiency of reference counts and create greater uniformity across reading rooms. Furthermore, we recommended that CRS, the Law Library, and Library Services perform structured requirements analyses to determine reading room space requirements. For many years, most of the Library's reading rooms have been in the same physical location and configuration, but their space requirements had not been formally evaluated. Finally, we recommended that Library Services develop a decision model to help make decisions about space usage. A standardized model would help management more objectively and consistently determine the most appropriate use of space.

Since then, CRS and the Law Library have implemented the spirit of our recommendations. Library Services has implemented a system to better measure reading room usage, however, more than two and a half years after we issued our report, the remaining recommendations to Library Services remain open.



# UNIMPLEMENTED RECOMMENDATIONS

**TABLE 3: SIGNIFICANT RECOMMENDATIONS FROM PREVIOUS SEMIANNUAL REPORTS FOR WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED**

SUBJECT	REPORT NO. AND ISSUE DATE	SERVICE UNIT	REC. NO.	SUMMARY OF RECOMMENDATIONS
Office of the Librarian				
Dispute Resolution Center	2002-PA-104 September 2003	Office of Workforce Diversity	III	Revise LCR 2020-7 to allow complainants to use dispute resolution during the formal EEO complaint process.
Learning at the Library	2001-PA-105 April 2003	Operations Management and Training	I.G	Provide training to new supervisors. <sup>1</sup>
Equal Employment Opportunity Complaints Office	2001-PA-104 February 2003	Office of Workforce Diversity	I	Evaluate and revise LCR 2010-3.1. <sup>2</sup>
Succession Planning	2004-PA-105 March 2005	Office of the Librarian	I.1	Mandate a Library-wide succession planning program that endows Human Resources Services with a strong leadership role. <sup>3</sup>
Office of Strategic Initiatives <sup>4</sup>				
FY 2004 Financial Statements/ Info. Technology	2004-FN-502 February 2005	Information Technology Services	1	Fully implement an entity-wide security program.
Integrated Support Services				
Inventory and Equipment Management	2004-PA-103 March 2005	ISS	I.2	Reevaluate space needs for the future warehouse planned at Ft. Meade.
Transportation Services	2005-PA-101 March 2006	ISS	I.B	Document policies and procedures and centralize transportation activities.

<sup>1</sup>The Library has implemented a new training program for new supervisors. Included are online training courses and instructor-led training. Due to budgetary constraints, the instructor-led portion has been delayed until later in FY 2007. Once fully implemented, this program will satisfy the intent of our recommendation.

<sup>2</sup>LCR 2010-3.1 is currently being revised.

<sup>3</sup>See page 13 for a discussion of this topic.

<sup>4</sup>(a) The Library's external auditors modified and consolidated current and prior year financial statements findings into the one finding shown here. (b) Due to the implementation of the Library's new financial system, the auditors' opinion on the Library's FY 2005 financial statements was not released until May 2006. (c) According to ITS, substantial progress was made during FY 2005 toward implementing this recommendation. The external auditors, conducting the FY 2006 audit of the Library's financial statements, are currently reviewing documentation supporting this assertion.

**TABLE 3: SIGNIFICANT RECOMMENDATIONS FROM PREVIOUS SEMIANNUAL REPORTS FOR WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED (CONTINUED)**

SUBJECT	REPORT NO. AND ISSUE DATE	SERVICE UNIT	REC. NO.	SUMMARY OF RECOMMENDATIONS
Office of the Chief Financial Officer				
Management Control Program	2004-PA-106 March, 2006	Strategic Planning Office	I	Revise the MCP Process to better identify control weaknesses.
Management Control Program	2004-PA-106 March, 2006	Strategic Planning Office	II	Implement an automated tracking system.
Management Control Program	2004-PA-106 March, 2006	Strategic Planning Office	III	Implement a verification review process.
Management Control Program	2004-PA-106 March, 2006	Strategic Planning Office	IV	Improve the MCP communications mechanism.
Management Control Program	2004-PA-106 March, 2006	Strategic Planning Office	V	Report implementation delays to the Librarian.
Office of Security and Emergency Preparedness				
Management of Police	2003-PA-105 August 2004	OSEP	53,54 <sup>5</sup>	Develop a mission statement and engage in a greater level of strategic planning.
Emergency Preparedness Program	2005-PA-104 March 2006	OSEP	I	Develop a regulation defining and designating authority for the Emergency Preparedness Program.
Emergency Preparedness Program	2005-PA-104 March 2006	OSEP	III	Develop or obtain a threat/risk assessment.
Emergency Preparedness Program	2005-PA-104 March 2006	OSEP	VI	Develop an annual training plan and provide more emergency response training.
Emergency Preparedness Program	2005-PA-104 March 2006	OSEP	VII	Improve communications and training for disabled staff and disability monitors.
Emergency Preparedness Program	2005-PA-104 March 2006	OSEP	VIII,IX	Develop an MOU with the Capitol Police and the Architect of the Capitol to clarify authority for directing emergency situations.
Library Services <sup>6</sup>				
Utilization of Reading Rooms	2003-PA-104 March 2004	Library Services	II.1	Develop a decision model for determining reading room space requirements.
Utilization of Reading Rooms	2003-PA-104 March 2004	Library Services	II.2	Use the model to make decisions about reading room, office space, and storage requirements.

<sup>5</sup> Recommendation numbers refer to an external consultant's report.

<sup>6</sup> See page 13 for a discussion of this topic.



The U.S. Capitol Dome viewed from the south



## FUNDS QUESTIONED OR PUT TO BETTER USE

**TABLE 4: AUDITS WITH RECOMMENDATIONS FOR BETTER USES OF FUNDS**

REPORTS...	NUMBER	VALUE
...for which no management decision was made by the start of the period.	-	-
...issued during the period.	-	-
Subtotal	-	-
...for which a management decision was made during the reporting period:		
Value of recommendations agreed to by management. <sup>1</sup>	1	\$4,000
Value of recommendations not agreed to by management.	-	-
...for which no management decision was made by the end of the reporting period.	-	-
...for which no management decision was made within six months of issuance.	-	-

**TABLE 5: AUDITS WITH QUESTIONED COSTS**

REPORTS...	NUMBER	VALUE
...for which no management decision was made by the start of the period.	-	-
...issued during the period.	-	-
Subtotal	-	-
...for which a management decision was made during the reporting period:		
Value of recommendations agreed to by management.	-	-
Value of recommendations not agreed to by management.	-	-
...for which no management decision was made by the end of the reporting period.	-	-
...for which no management decision was made within six months of issuance.	-	-

<sup>1</sup> See “Telecommunications Abuse - 800 Number” on p. 9.

## INSTANCES WHERE INFORMATION OR ASSISTANCE REQUESTS WERE REFUSED

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There were no instances during the period concerning the Library's unreasonable refusal to provide information or assistance, or any other refusal from a Federal, State, or local government agency.

## STATUS OF RECOMMENDATIONS WITHOUT MANAGEMENT DECISIONS

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During the reporting period there were no recommendations more than six months old without management decisions.

## SIGNIFICANT REVISED MANAGEMENT DECISIONS

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During the reporting period there were no significant revised management decisions.

## SIGNIFICANT MANAGEMENT DECISIONS WITH WHICH OIG DISAGREES

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During the reporting period there were no significant disagreements with management about decisions on OIG recommendations.

## OTHER ACTIVITIES

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### NEWSLINE FINANCIAL INFORMATION

Special Review Report No. 2006-FN-504  
July 2006

Pursuant to a request by the Chairman of the House Appropriations Committee (Committee), the OIG conducted a special review of financial information about the NEWSLINE fund of the appropriation for the NLS.

The Chairman requested an explanation for the erroneous information that the Library reported to the Committee in May 2006. The information involved \$993,500 that was made available for NEWSLINE's operation through the FY 2003 appropriation. The Chairman specifically asked whether the NEWSLINE account was properly established in the Library's previous financial system and properly converted to its new system. He also requested that each transaction be identified that should have been recorded in the account, the locations be identified where those transactions were recorded in the financial system, and the reason for their erroneous recording.

We determined that:

- The NEWSLINE fund was not properly established in the former financial system, but a correction was made prior to conversion to the new financial system.
- Because of the way the correction was made, some of NEWSLINE's financial information was not properly converted to the Library's new financial system.
- Three NEWSLINE expenditures totaling \$993,500 were incorrectly recorded.

As a result of these errors, the Library corrected the NEWSLINE account and enhanced its procedures for identifying and correcting errors in its financial system. In spite of the error in the conversion of this information, we confirmed that the results contained in the OIG report, "Financial System Conversion Reconciliation," reported in our March 2006 Semiannual Report, are valid.

### CONVERSION TO DIGITAL TALKING BOOKS

Survey Report No. 2006-PA-101  
August 2006

We performed a survey of the NLS project to convert and replace the primary technology used in the national library program that provides talking books, playback equipment, and Braille materials for blind and physically handicapped patrons. NLS' plans call for digital books and equipment to begin replacing analog cassette books and machines in FY 2008 and become the program's primary technology by FY 2011. Based on our survey, we determined that an audit of the project is not necessary at this time.

Information we collected led us to conclude that NLS' plans should enable it to successfully convert the talking book program's primary technology from analog to digital format over the currently planned transition period. Specifically, our survey revealed that NLS is effectively managing its plans to:

- develop a digital playback machine and related equipment,
- test and validate the new playback machine throughout its evolution from design to full production, and
- produce 20,000 talking book titles in digital format by the time the new playback machine becomes available in FY 2008.

Despite NLS' progress in these areas, we are concerned that an acquisition plan has not been prepared for the manufacturing phase of the digital equipment. Acquisition planning is a requirement of the Federal Acquisition Regulation (FAR) for all acquisitions made by executive branch agencies. Moreover, it is Library policy to follow the FAR in the procurement of goods and services unless it is formally determined that following it is not in the Library's best interest. The Chief of the Library's Office of Contracts acknowledged that acquisition plans are required by the FAR, but noted that because the Director



position is vacant for the Office of Contracts and Grants Management, FAR-specified internal procedures have not been established for the Library to address the regulation's requirements.

It is clearly in the Library's best interest to have a written acquisition plan for the manufacturing phase of the digital equipment, and the lack of internal procedures should not prevent the Library from preparing one. By preparing an acquisition plan for this major acquisition of digital equipment – estimated to cost \$140 million over five years – the Library would not only be following the FAR and its own policy, but would also be in line with standard federal agency practice. Therefore, we recommended that NLS work closely with the Chief of the Office of Contracts to promptly prepare a written acquisition plan for the manufacturing phase of the digital playback equipment.

#### **ACQUISITION OF MAXIMO**

##### [Project No. 2006-SP-801](#) [Project Plan Review](#)

At the request of the Library's Chief Financial Officer, we performed a review of the Maximo acquisition process. Maximo, a software package that integrates with the Library's new financial system, was intended to be the Library's choice as an inventory- and asset-management system. We began our review in December 2005 in response to the Chief Financial Officer's concern that the Library's pace of assessing the possibility of implementing Maximo was stalling.

We determined that although the Library had acquired Maximo in 2004, it had not yet implemented the software. In June 2006, we advised the Deputy Librarian that the Library had not fully analyzed and compared its asset management requirements to Maximo's capabilities. Subsequently, the Library's Executive Committee decided that the Library needed to renew attention to the Maximo investment, and a project was initiated at the committee's direction to analyze the Library's asset-management requirements.

#### **ANNUAL FINANCIAL STATEMENTS AUDIT**

##### [Report No. 2006-FN-503](#) [Request for Proposal](#)

In FY 2006 we sent a Request for Proposal (RFP) to five audit firms for bids on the next five-year contract for financial statements audits of the Library of Congress, James Madison National Council Fund, and the Open World Leadership Center. The RFP was completely rewritten from prior years based on guidance from The President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency.

The primary changes were in the presentation of a more detailed list of deliverables for each audit, with a suggested time line, in order to ensure timely delivery of a quality audit. The payment schedule was changed from one based on payment for hours worked, to one based on satisfactory acceptance of deliverables. The minimum contract deliverables and estimated due dates were described in detail to enable the successful bidder to anticipate the contract requirements. We expect this change in structure to allow us to more closely match the disbursement of funds with the receipt of deliverables and therefore better monitor the contractor.

The proposals received were evaluated by the Technical Evaluation Panel, which scored each bidding firm by three separate, weighted factors including relevant experience and past performance, corporate resources and staff qualifications, and technical approach. While cost was a substantial factor, it was considered along with the factors listed above. A contract was awarded to the successful bidder, pending passage of the FY 2007 appropriation bill.

# REVIEW OF LEGISLATION AND REGULATIONS

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TABLE 6: REVIEW OF LIBRARY OF CONGRESS REGULATIONS	
LCR REVIEWED	COMMENTS BY THE OFFICE OF THE INSPECTOR GENERAL
LCR 1811 Employee Identification Cards	The Office of Security and Emergency Preparedness is proposing to update the regulation on employee identification cards. We recommended against issuing the proposed draft because it did not vest the Office of Security and Emergency Preparedness with enough authority to protect the integrity of the badging function.
LCR 2013 Pay Administration	Human Resources Services is proposing to replace 30 regulations on pay administration with one comprehensive policy. We suggested adopting language contained in the Government Accountability Office’s pay administration policy to explain which federal statutes the Library must follow. Additionally, we suggested inserting hyperlinks to federal pay regulations posted on the Federal Register’s Web site.
LCR 2010-7 Employment of Non-U.S. Citizens Using Appropriated and Non-Appropriated Funds	We had no comments on this proposed regulation.

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Hotline E-mail: [oighotline@loc.gov](mailto:oighotline@loc.gov)

Any information you provide will be held in confidence.  
However, providing your name and a means of communicating  
with you may enhance our ability to investigate.



