



THE DEPUTY LIBRARIAN OF CONGRESS

April 24, 1998

Dear Mr. Oliver:

Thank you for the opportunity to review and comment on your draft audit report of the Library of Congress' consolidated financial statements for fiscal year 1997. The audit report makes 45 recommendations, and the Library concurs with 38 and partially concurs with seven. The enclosure presents a detailed response to the recommendations in the draft.

I am pleased that the audit report reflects the Library's continued progress in ensuring accountability of our resources. For the second consecutive year, the Library has received an **unqualified audit opinion** on the consolidated financial statements. The audit report listed **no material internal control weaknesses**, and the number of reportable conditions decreased from seven to six.

The report recommends that the Library take steps to end noncompliance with laws and regulations concerning the operation of gift revolving funds. This is a long-standing condition, and the Library is continuing its efforts to secure better authorization for the operation of gift revolving funds by seeking appropriate legislation.

Finally, the audit report documents the progress being made to improve the safeguarding of our collections. A centralized security organization was established during fiscal 1997, and the Library's first Director of Security was appointed. A comprehensive Library Security Plan was also completed.

We recognize that while substantial progress has been made there is still much work to be done. We look forward to the challenge and to working cooperatively with your firm and the Congress in continuing to improve the accountability of the Library's resources. Please accept my appreciation and thanks for a professional audit report.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald L. Scott".

Donald L. Scott

Deputy Librarian of Congress

Mr. William H. Oliver  
Director of Federal Government Services  
Clifton Gunderson L.L.C.  
7833 Walker Drive, Suite 440  
Greenbelt, Maryland 20770

Enclosure

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

**APPENDIX A  
REPORTABLE CONDITIONS**

**1. LIBRARY RECORDS FOR CAPITALIZED PROPERTY AND EQUIPMENT ARE NOT ACCURATE OR COMPLETE AND SAFEGUARDING CONTROLS FOR NATIONAL LIBRARY SERVICE FOR THE BLIND AND PHYSICALLY HANDICAPPED ARE NOT ADEQUATE.**

<b>In order to facilitate maintaining accurate property and equipment listings, we recommend that the Library take the following actions:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>1. Contracts and Logistics perform quarterly property reconciliations as required by FSD 96-7 in order to allow C&amp;L to post the capitalized property subledger to the general ledger. It is noted that FSD 97-7 has superseded FSD 96-7 but the quarterly reporting requirement has not changed.</p>	<p>Concur</p>	<p>C&amp;L will comply with the recommendation and FSD Directive 97-7. C&amp;L/Logistics is currently finishing reconciliation analysis of fiscal 1998 first quarter payment records provided by FSD. Second quarter general ledger expenditure reports from FSD are due to C&amp;L shortly for reconciliation. Reports on the reconciliations of these records will be sent to FSD within the guidelines specified by FSD Directive 97-7.</p>	<p>C&amp;L will perform quarterly reconciliations of the payment ledgers against the IBCFACS sub-ledger with reports being sent to FSD as detailed in FSD Directive 97-7.</p>
<p>2. C&amp;L strengthen it's policies and procedures for reviewing information entered into the IBCFACS subledger, including the review of data by a non data entry employee.</p>	<p>Concur</p>	<p>C&amp;L has already taken action on this recommendation in fiscal 1997 by having the supervisors review and approve information that has been entered into the IBCFACS sub-ledger.</p>	<p>Continue activities cited in "LC Action".</p>

\*Library Response: (1) Concur; (2) Partially Concur; (3) Non-Concur

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

In order to facilitate maintaining accurate property and equipment listings, we recommend that the Library take the following actions:	*LC Response	LC Action	LC Plans
<p>3. Develop a formal policy or procedure to be put in place that enables the posting employee at C&amp;L to contact the technical representatives from the service unit should a question arise about the capitalization or expense of items purchased. Also that training be provided to those individuals that post these transactions so that they may better identify what should be capitalized or expenses.</p>	Concur	<p>During fiscal 1998, C&amp;L/Logistics has requested service units to assign "property liaisons" to represent their units, offices or divisions with C&amp;L on property control issues. Training was held for 54 staff and during the remainder of fiscal 1998, Logistic's inventory staff will be working with property liaisons to refine inventory reports on capitalized assets.</p>	<p>C&amp;L will provide service unit staff requisitioning PP&amp;E with instructions on how technical assets should be requisitioned on purchase order documents. In addition, C&amp;L will work with service units property liaison staff to identify technical items appropriately on the IBCFACS sub-ledger, will provide guidance to C&amp;L procurement and contracting staff on how technical assets should be requisitioned on purchase orders and will provide in-house training to inventory specialists in FASAB and GAO directives and guidelines regarding capitalization or expense of PP&amp;E.</p>
<p>4. C&amp;L establish procedures for following up on invoices of assets that have not been received for a considerable period of time, to ensure that all costs related to the assets have been recorded on the subsidiary ledger properly</p>	Concur	<p>In fiscal 1997 and 1998, C&amp;L/Logistics began issuing written follow-ups with FSD voucher examiners to obtain completed invoice payment data.</p>	<p>C&amp;L will work with FSD staff to develop written invoice close-out procedures for capitalized assets.</p>

\* Library Response: (1) Concur; (2) Partially Concur; (3) Non-Concur

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

In order to facilitate maintaining accurate property and equipment listings, we recommend that the Library take the following actions:	*LC Response	LC Action	LC Plans
5. The Library appoint a staff person at the directorate level to be held accountable for the implementing of Section 3.31 of FSD 96-7 so that all acquisitions, dispositions, and transfers of property are managed at the local level.	Partially concur	Property liasons have been established to handle property issues at the local level.	None.
6. All assets acquired through the use of a trade-in be reviewed and approved by a qualified personnel within C&L.	Concur	Logistics Inventory Management staff are now working with Procurement staff to provide copies of asset records for assets that may be traded-in on newer assets. As part of this process, present values of these assets are reviewed and are used to negotiate trade-in values. If the Procurement staff can not negotiate trade-in values close to the present value of the asset, then the older asset is kept and made available to other offices and divisions.	C&L will develop written procedures for evaluating and processing trade-ins of assets, will designate inventory specialists to assist the procurement specialists in reviewing trade-ins requested on purchase requisitions and obtain supervisory approval for trade-ins of assets.

\*Library Response: (1) Concur; (2) Partially Concur; (3) Non-Concur

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

<b>In order to facilitate maintaining accurate property and equipment listings, we recommend that the Library take the following actions:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
7. NLS/BPH consider merging the reporting performed by the two separate playback machine tracking systems and begin to capture all data within the BPHICS system. NLS would need to ensure that BPHICS and MME contain data from the same time period since MMR has more historical information. The BPHICS system would need to be modified to capture the collective status by machine lending agency of all machines within their custody, as well as, acquisition information by serial number.	Concur	Implementation has begun in fiscal 1998.	None.
8. NLS/BPH establish an acceptable range for the independent contractor to compare totals for each machine model reported by each lending agency. If a MMR is submitted outside of that range there should be a formal policy or procedure established to ensure that these discrepancies are investigated and resolved.	Concur	NLS/BPH compares monthly data supplied by the machine lending agencies (MLA) with BPHICS data. If data is outside the acceptable range, NLS/BPH will work with the MLA to reconcile the difference.	None.

\*Library Response: (1) Concur; (2) Partially Concur; (3) Non-Concur

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

<b>In order to facilitate maintaining accurate property and equipment listings, we recommend that the Library take the following actions:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>9. NLS/BPH implement policies and procedures to monitor both the input from the lending agencies and the output from the independent contractor on a regular basis, and document a plan for performing machine lending agency audits. These audits should be scheduled on a five year basis due to the fact that these machines comprise over 70% of the Library's property and equipment.</p>	<p>Concur</p>	<p>Action planned.</p>	<p>Implementation will be initiated in fiscal 1998.</p>
<p>10. The Library re-evaluate its useful life policies for the capitalization of property and equipment and that they correct all existing assets retroactively.</p>	<p>Partially concur <sup>1</sup></p>	<p>This items was a fiscal 1996 audit recommendation. After the fiscal 1996 audit was completed, C&amp;L/Logistics conducted extensive reviews of asset useful life cycles. Actions were completed to update the majority of useful life cycles (example: computers were originally given a five year useful life, but all new computers are given a three year useful life). On October 1, 1997, a new useful life cycle was issued by the head of Logistics, to take effect for assets procured (or leased) in fiscal 1998. Additionally a procedure was written and implemented.</p>	<p>None, since actions to comply with the original audit recommendation are complete.</p>

<sup>1</sup> C&L does not agree with the recommendation to "correct all existing assets retroactively". When this issue was addressed with the predecessor auditors, the guidance was given to not change depreciation schedules on existing assets.

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

<b>In order to facilitate maintaining accurate property and equipment listings, we recommend that the Library take the following actions:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>11. The Library adhere to FSD-96-7 and SFFAS No. 6, <i>Accounting for Property, Plant and Equipment</i>, in recording leasehold improvements to multi-use Heritage assets and non Heritage assets. The Library should monitor current developments in accounting for property, plant, and equipment as issued by the FASAB throughout the year.</p>	<p>Concur</p>	<p>Seven LC staff who have some responsibility for PP&amp;E are to attend the "Forum on Valuation and Other Selected Issues Relating to Property, Plant and Equipment", which will be held in April, 1998. This forum will provide better understanding of FASAB decisions, procedures and policies, so that they can be implemented at the Library.</p>	<p>C&amp;L will develop written procedures to monitor and record leasehold improvements to multi-use Heritage assets and non Heritage assets, will obtain quarterly reports from the Facility Services Office on leasehold improvements made, so proper action can be taken to capitalize or expense the improvement on the general ledger and will obtain information on how to access FASAB or GAO procedures for proposed directives on PP&amp;E and implement them accordingly at the Library.</p>

\*Library Response: (1) Concur; (2) Partially Concur; (3) Non-Concur

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

**2. SECURITY PRACTICES OVER INFORMATION TECHNOLOGY SYSTEMS NEED TO BE IMPROVED.**

<b>We Recommend that:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>1. The Library develop and implement policies and procedures that set standards by which certain sensitive utilities and data-sets will be protected and that security configurations are set to meet those policies and procedures.</p>	<p>Concur</p>	<p>ITS has developed a position for a management and program analyst to work on planning documentation and also on policies and procedures. In addition, the Library has requested two positions for strategic, operational, and architectural planning in the FY99 budget (this will include some documentation of policies and procedures).</p>	<p>ITS plans to document recommended policies and procedures as resources allow.</p>
<p>2. The Library develop and implement policies and procedures addressing remote access. Additionally, remote access authorization should be documented, dial-in authentication should be added, and dial-up telephone numbers should be changed periodically.</p>	<p>Concur</p>	<p>ITS has and continues to work with the Chief of Staff to document policy and technical issues related to remote E-mail access. In addition, ITS has announced to service and support units its intentions to consolidate dial-in access as a first step to better secure that access.</p>	<p>ITS plans to draft a recommendation regarding the remote E-mail access for the Chief of Staff and to brief her on related policy and technical issues. Also, ITS plans to consolidate dial-in access as a first step to better secure E-mail access, institute periodic number and password changes to further secure dial-in access and document dial-in policies and procedures as resources allow.</p>

\*Library Response: (1) Concur; (2) Partially Concur; (3) Non-Concur

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

<b>We Recommend that:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>3. The Library implement a comprehensive computer security awareness program that allows for periodic data security education and user declaration of their responsibilities with relation to data security.</p>	<p>Concur</p>	<p>ITS has briefed the Library's senior managers, with a Justice Department security expert, on the importance of security awareness training. Also, ITS helped to document Computer Security Awareness training responsibilities in the Library's LCR policy on computer security. ITS has met with service and support security representatives and offered to share information and training materials. Finally, ITS has provided speakers for brief security awareness training as part of new employee orientations and administrative management training.</p>	<p>ITS plans to offer to the Internal University (IU) all materials that have been gathered for security awareness training and plans to offer to "train the trainers" in the IU or service units to teach security awareness.</p>
<p>4. The Library coordinate with the Internal University which is primarily responsible for conducting Security Awareness and Training with ITS who has the expertise, and document what roles each department will serve and what resources are needed to meet the Library's guidelines and the Computer Security Act of 1987. Once this issue is resolved the responsible party should develop a training program that performs a comprehensive entity wide security training that meets the criteria of the Act and the mission of the Library.</p>	<p>Concur</p>	<p>See above.</p>	<p>See above.</p>

\*Library Response: (1) Concur; (2) Partially Concur; (3) Non-Concur

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

<b>We Recommend that:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>5. The Library redistribute responsibilities and adhere to the principles of segregation of duties. Management should reallocate responsibilities within ITS to remove this condition, while at the same time making efforts to acquire the staff needed to fill the number of vacant positions.</p>	<p>Concur</p>	<p>ITS has filled the position of the Chief of the Systems Engineering Group and has added two positions to the System Engineering Group to work specifically on network and UNIX security issues.</p>	<p>Due to the relative newness and complexity of these systems and issues, and because of the inevitable limits on staff resources, the auditor's recommendations in regards to the segregation of duties of the security staff in the network and open systems can only be implemented as resources allow.</p>
<p>6. Management initiate the development of policies and procedures as a part of an ITS-wide initiative to provide guidance, standards and efficiency for new staff in the performance of their functions and responsibilities.</p>	<p>Concur</p>	<p>None.</p>	<p>ITS plans to document recommended policies and procedures as resources allow.</p>
<p>7. The Library develop policies, procedures, and standards regarding the use of software. These policies should restrict the use of public domain and personal software and encompass all of the computer resources and employees at the Library to minimize the risks related to this issue.</p>	<p>Concur</p>	<p>As part of the IG's upcoming audit of PC software, ITS has met with the IG to discuss the audit and LC's policy, has offered to assist the IG with technical help on software tools for gathering information and has begun an inventory of PC software licenses to be used in conjunction with the audit.</p>	<p>ITS plans to develop and distribute a policy in cooperation with the Deputy Librarian, IG, GC and the Copyright office.</p>

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

We Recommend that:	*LC Response	LC Action	LC Plans
<p>8. The Library and ITS management develop policies and procedures to control programs as they progress through testing to final approval. The policies and procedures should include the test plan standards, preparation and approval of system specifications, documentation of software changes, documentation and approval of test plans, review, documenting, and approval of test results, and criteria for moving changed programs into production.</p>	<p>Concur</p>	<p>ITS has policies and procedures for mainframe software as it progresses through testing to final approval, has developed and documented basic procedures for developers on the UNIX platform and has implemented and automated asset management system that will be used to track the ILS system as it progresses through testing to final approval.</p>	<p>ITS plans to document recommended policies and procedures as resources allow.</p>
<p>9. The Library and ITS management develop policies and procedures to control emergency changes on the MVS and UNIX platforms. The procedures should include after the fact approval from operations, programming, and user management.</p>	<p>Concur</p>	<p>None.</p>	<p>ITS plans to document recommended policies and procedures as resources allow.</p>
<p>10. The Library and ITS management develop policies and procedures which provide for the use of library management software to label and inventory programs on the MVS and UNIX platforms.</p>	<p>Partially Concur <sup>2</sup></p>	<p>None.</p>	<p>ITS plans to document recommended policies and procedures as resources allow.</p>

---

<sup>2</sup> ITS is using an automated asset management tool to inventory all software systems, and will continue to evaluate tools for management of software in the UNIX environment. However, given current plans and directions, ITS will not make any significant investment in new mainframe tools or management software because that environment will be substantially reduced as implementation of programs like ILS and LIS proceed.

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

<b>We Recommend that:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
11. The Library and ITS management develop a written System Development Life Cycle methodology.	Concur	None.	ITS plans to document recommended policies and procedures as resources allow.
12. The Library and ITS management develop policies and procedures for controlling emergency systems software changes.	Concur	None.	ITS plans to document recommended policies and procedures as resources allow.
13. The Library and ITS management develop policies and procedures for restricting access to systems software. These policies should be clearly communicated to the appropriate resources.	Concur	ITS has greatly restricted access to systems software and will continue to evaluate further restrictions.	ITS plans to document recommended policies and procedures as resources allow.
14. The Library and ITS management develop policies and procedures for controlling and testing changes to system software.	Concur	None.	ITS plans to document recommended policies and procedures as resources allow.

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

**3. WEAKNESSES EXIST IN CONTROLS OVER THE FINANCIAL REPORTING PROCESS**

<b>We recommend the following:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>1. The Library fully implement procedures for performance of limited control reviews as currently documented as soon as possible. This is a critical procedure in the design of the control environment of the Library that assists management in evaluating whether internal controls are designed to work efficiently and effectively to accomplish control objectives.</p>	<p>Concur</p>	<p>Financial Services has issued Directive 97-8 which sets forth a schedule for conducting limited internal control reviews.</p>	<p>Financial Services plans to work with each program and subsidiary system financial manager to ensure limited internal control reviews are conducted in accordance with Directive 97-8.</p>
<p>2. Financial Services continue to work on fully implementing timely reconciliations of all accounts, review for reasonableness and work with and train financial managers in other areas on the need for timely reconciliations to promote accurate financial reporting and provide for adequate internal controls.</p>	<p>Concur</p>	<p>Financial Services is completing Treasury reconciliations in a timely manner and working with program and subsidiary financial managers to ensure timely and accurate completion of their reconciliations in accordance with Directive 97-6.</p>	<p>Financial Services plans to review accounts for reasonableness during fiscal 1998 and work with program and subsidiary financial managers to complete timely reconciliations and to improve internal controls.</p>

**LIBRARY OF CONGRESS**  
**Financial Statements Audit**  
**Fiscal Year 1997**  
**COMMENTS BY MANAGEMENT**

**4. THE LIBRARY LACKS A BUSINESS CONTINUITY PLAN**

<b>Recommendations:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>1. We recommend that various departments within the Library develop contingency plans, test them annually, and establish the administrative and operational procedures for supporting them. These plans should set forth the procedures and facilities to be used when data center failures, natural disasters, or major equipment malfunctions occur sufficient to disrupt the normal use of the Library's PC's, LAN's, servers, routers, printers, and other equipment. The recognition of critical data, operations, resources, and emergency procedures is a key process which should involve management and staff.</p>	<p>Concur</p>	<p>ITS has shared with the service and support units GAO's guidance on contingency planning as part of the Year 2000 planning activity.</p>	<p>ITS has requested funding to hire two additional employees to assist in the contingency planning as part of the Year 2000 planning activity.</p>

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

<b>Recommendations:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>2. We also recommend that the Library develop a formal Disaster Recovery Plan. This plan should outline the steps to be taken in the event of a disaster and identify who should be contacted. When completing this plan management should identify a location for which processing will resume in the event of a disaster.</p>	<p>Concur</p>	<p>ITS has implemented off-site remote robotic storage devices in the House of Representatives' Ford Building to ensure backup and recovery capability for the Library's mainframe system and has been evaluating complex UNIX platform backup, archive and management systems. In addition, ITS prepared, and presented to the EC, a disaster recovery alternatives analysis and has requested funding in fiscal 1999 to continue disaster recovery planning and implementation.</p>	<p>ITS plans to implement off-site, remote robotic storage for the Library's UNIX systems in either the Senate Computer Center or an alternative site and plans to begin in-depth disaster recovery planning, including hot-site capability if funding is approved for fiscal 1999.</p>

**LIBRARY OF CONGRESS**  
**Financial Statements Audit**  
**Fiscal Year 1997**  
**COMMENTS BY MANAGEMENT**

**5. YEAR 2000 COMPLIANT SOFTWARE FOR FINANCIAL SYSTEMS HAVE NOT BEEN IMPLEMENTED**

<b>We recommend the following:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>1. The Library continue evaluating each of its financial systems and subsystems so that key systems that must be Year 2000 compliant can be identified and updated as soon as possible. The addition of a new account coding system would help track costs related to Y2K projects and offer some information on projected budget overruns and expenses vs. capitalized costs related to Year 2000. We understand that the general ledger will be updated during fiscal year 1998.</p>	<p>Partially Concur <sup>3</sup></p>	<p>None.</p>	<p>The Library plans to evaluate project cost accounting requirements in FY99. The Library receives payroll services from NFC. The Library recognizes that the current system for employee time reporting (PCTARE) may not be suitable for capturing employee time by projects. The Library will either work with NFC to determine if the next release of PCTARE meets project cost accounting requirements or evaluate other alternatives.</p>
<p>2. The Library formally document policies and procedures for system development and program management to assist them in the Year 2000 efforts.</p>	<p>Partially Concur <sup>4</sup></p>	<p>None.</p>	<p>ITS plans to document recommended policies and procedures as resources allow.</p>

<sup>3</sup> Because the Library does not currently track project costs, we will not start tracking costs for this project. The Library does not want to disrupt this important project with new time keeping requirements.

<sup>4</sup> ITS is using an automated asset management system as part of its Year 2000 planning and implementation activities and following GAO guidance with respect to planning for Year 2000. It is unlikely that any significant effort will be devoted to documenting system development and program management specific to Year 2000 at this point in time, but rather as resources allow with future initiatives.

**LIBRARY OF CONGRESS**  
**Financial Statements Audit**  
**Fiscal Year 1997**  
**COMMENTS BY MANAGEMENT**

**6. THE LIBRARY'S INSPECTOR GENERAL (IG) OVERSIGHT FUNCTION IS LIMITED**

<b>We recommend the following:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>1. The Library re-evaluate its internal control and accounting environment and design an environment that provides for adequate segregation of duties in the area of establishing, evaluating, testing and reporting on internal control and accounting policies and procedures within the organization.</p>	<p>Concur</p>	<p>LCR 1510 and Financial Services Directive 97-8 sets forth the policies and procedures for maintaining and reviewing the Library's internal control environment.</p>	<p>The Library will re-evaluate existing policies and procedures to determine if further improvements would improve the internal control environment.</p>
<p>2. The Librarian of Congress should consider actions to follow-up and resubmit draft legislation to establish statutory authority for the Office of Inspector General at the Library of Congress.</p>	<p>Concur</p>	<p>On April 10, 1997, the Librarian sent a letter to the Library's oversight committee chairmen reaffirming the Library's request for IG legislation and seeking Congressional guidance on specific issues. These same issues were raised in a letter sent during the previous Congress, but unresolved before the session ended.</p>	<p>CRO continues to work with oversight staff to resolve open issues. Congressional action on IG legislation for the Library is unlikely during the remainder of the 105th Congress.</p>

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

**APPENDIX B  
MATTERS OF NONCOMPLIANCE WITH LAWS AND REGULATIONS**

**1. THE LIBRARY OPERATES GIFT REVOLVING FUNDS BEYOND THE SCOPE OF ITS AUTHORITY**

<b>Recommendation:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
1. We recommend that the Library continue to seek specific statutory authority to operate gift revolving funds, in order to comply with 2 U.S.C. 160.	Concur	The Library has transmitted revolving fund legislation to Congress each year since 1990. In preparation for introduction of the legislation in the 105th Congress, LC consulted extensively with GAO on redrafting the legislation.	The Librarian has asked the Senate Rules Committee to introduce and support passage of revolving fund legislation again in the 105th Congress. CRO is working to meet any concerns of oversight committee members and their staff and other interested groups.

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

**INTERNAL CONTROL WEAKNESSES IN SAFEGUARDING OF COLLECTION ASSETS  
AND RECOMMENDATIONS FOR IMPROVEMENT**

**1. THE LIBRARY LACKS A COMPREHENSIVE COLLECTION SECURITY PLAN OR FORMAL RISK ASSESSMENT FOR THE SAFEGUARDING OF COLLECTION ASSETS**

<b>Specifically, the Library should:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>1. Develop a comprehensive security training and awareness program for Library employees that should have one central point of contact to serve as its program manager.</p>	<p>Concur</p>	<p>The Library of Congress Security Plan, transmitted to the Congress in October 1997, has an integrated schedule of 34 actions, of which 22 address collections security and 12 address the security of facilities, staff, visitors, and other assets. Action 32 (due June 1998) states that the Director of Security will develop a proposal to establish a security training and awareness program.</p>	<p>Action 32 will be implemented after the Office of Security staffing has been completed (Action 24, due March 1998), which includes hiring a full-time individual to oversee such a program in coordination with the Library of Congress Internal University (LCIU). Action 24 is being implemented.</p>
<p>2. Establish a formal oversight program providing continuous evaluation of the various safeguards, systems and procedures intended to protect the Library collections, facilities and personnel. The Director of Security, in coordination with the Office of Inspector General should develop a proposal for establishing a formal security oversight and evaluation program</p>	<p>Concur</p>	<p>Action 34 (due March 1999) states that the Director of Security, in coordination with the Inspector General (IG), will develop a formal security program evaluation process.</p>	<p>Action 34 is scheduled for implementation March 1999.</p>

**LIBRARY OF CONGRESS**  
**Financial Statements Audit**  
**Fiscal Year 1997**  
**COMMENTS BY MANAGEMENT**

<b>Specifically, the Library should:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>3. Determine who has ultimate authority over Library facility access control, automated access and intrusion detection systems. The Director of Security should assess current policies, regulations, and procedures relating to the administration and operations of the security program, including the revision of relevant documents and distribution of such; as well as the establishment of a schedule for periodic review of security regulations and operating procedures.</p>	<p>Concur</p>	<p>The Director of Security and the Architect of the Capitol (AOC) staff are engaged in discussions concerning AOC/Library control of electronic security systems. As a follow-on to this discussion, Action 26 (due March 1998) concerning a memorandum of agreement re: AOC access to Library restricted areas, will be addressed. Action 29 (due January 1999) states that the Director of Security will assess existing security policies, regulations, and procedures; update and publish them; and establish a schedule for periodic review. The policies and regulations have been assembled, and lists of these documents have been distributed.</p>	<p>Actions concerning the AOC will be implemented as described. Action 29 will be completed by January 1999.</p>
<p>4. Staff police operations adequately and adopt a standardized approach to training by providing for a full time police training officer. Additional equipment and the consolidation of the two communication centers currently used will enable the Library of Congress police to more effectively carry out its mission.</p>	<p>Concur</p>	<p>Action 27 (due December 1998) states that the Director of Security will prepare a comprehensive assessment of police operations, including staffing. LC Police equipment needs are being included in the fiscal 2000 budget request. The fiscal 1999 budget request included funds to do a feasibility study on consolidating the two LC Police communication centers.</p>	<p>Action 27 will be implemented by December 1998. Evaluation of LC Police equipment and facilities is ongoing.</p>

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

Specifically, the Library should:	*LC Response	LC Action	LC Plans
<p>5. Ensure that all baseline physical security standards are met. While major strides have been made in terms of physical security, not all baseline standards have been met, including perimeter security, entry security, interior security, and security planning.</p>	<p>Concur</p>	<p>Actions 05, 07, and 10 (all due June 1998) address completing an analysis of the Library's collection security needs, evaluating unmet requirements, and linking such requirements to future budget requests. Action 31 (due June 1998) addresses budget requests for upgraded facility security requirements. All actions are under way.</p>	<p>The Director of Security will maintain an automated tracking system to identify unmet physical security standards and prioritize budget requests to meet minimum physical security standards.</p>
<p>6. We recommend the Library complete the surveys called for in the collections prioritization matrix grids, and perform a library-wide risk assessment to identify risk mitigating opportunities within the bibliographic, inventory, and preservation control environments. We also recommend that the risk assessments take into consideration the following items:</p> <p>a. The risk assessment should prioritize control measures by identifying those risks that would cause the greatest loss to the largest number of the most invaluable assets of the Library. The assessment should consider the likelihood of the occurrence of the identified risks and the cost versus benefit of reducing or eliminating those risks with effective control measure;</p>	<p>Concur</p>	<p>Actions 13 (due January 1998), 14 (due March 1998), 16 (due September 1998), and 17 (due November 1998) address completion of surveys called for in the collections prioritization matrix grids. Library Services (LS) has developed a strategy for short-term and long-term implementation of Library-wide risk assessments and has organized and convened an Internal Control Review Task Force with full representation.</p>	<p>Actions 13, 14, 16, and 17 have been or will be addressed as stated. LS will continue to take the lead in refining and implementing multi-year risk assessments, with aid from the Office of Security and other units. LS will continue to chair the task force and simultaneously perform assessments for the divisions in LS.</p>

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

<b>Specifically, the Library should:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>b. The risk assessment should address all service and custodial units separately, since each unit is unique and each has varying degrees of risks related to the four categories of control criteria. The risk assessment should include: Integrated Support Services, since many collection assets enter the Library through the loading dock and move within the Library's hallways and tunnels; and the Law Library, which has processing and custodial responsibility for the Library's holdings on legal subjects;</p> <p>c. The risk assessment for each unit should segregate risks by collection asset format (monograph, video, audio cassette, compact disc, print, photograph, manuscript, map, globe, etc.) and by location (reading room, processing area, stacks);</p> <p>d. The risk assessment should seek to rank and categorize risks as described above and document the priority of controls needed based on the level of risk. Each service unit and custodial division should document their existing controls and compare them to the prioritized list of controls in the risk assessment. Once it has been determined which priority controls exist and which need to be established, policies and procedures to implement these controls should be developed on a service unit and custodial division basis with the responsibility for implementing and maintaining these controls assigned to the appropriated Library personnel in each unit or division;</p>			

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

<b>Specifically, the Library should:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>e. The risk assessment should establish common reporting procedures for communicating control effectiveness to management on a regular basis. The procedures should be standardized so that results by division or unit can be compared and compiled to provide useful information on a Library-wide basis;</p> <p>f. In developing the risk assessment overall and by service unit, the Library should leverage existing information gathered from internal assessments and reviews and those of outside contractors, such as the physical security assessment performed by the Library's Protective Services in November 1996, the contractor security review conducted from October 1995 through June 1996, and information gathered during the two risk assessments already performed in the Map and Geography Division and the Copyright Office. The Library should utilize the knowledge of the Inspector General's office in identifying known security weaknesses. Existing information regarding weaknesses in preservation should consider the Preservation Directorate's current plans as well as the Strategic Facilities Plan developed by Facility Services. To identify existing inventory and bibliographic control risks, the Library should review needs identified by the Catalog and Support Office during their recent development of a Request for Proposal for an Integrated Library System and during analysis of proposals submitted to date.</p>			

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

**2. A WEAK CONTROL ENVIRONMENT AND INCOMPLETE CONTROL ACTIVITIES EXIST FOR THE SAFEGUARDING OF THE COLLECTION ASSETS**

<b>Recommendations:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>1. We recommend integration of the Library's overall physical security plan, with the Library's planned risk assessment. Weaknesses uncovered by the collection divisions as a result of their risk assessments should be brought to the Security Director for consideration and resolution. Until both the security plan and risk assessment can be fully completed, the extent of weaknesses in physical security controls will not be fully known.</p>	<p>Concur</p>	<p>Action 11 (due September 1998) states that LS and the Collections Security Oversight Committee (CSOC) will validate and integrate results of risk assessments with the Security Plan matrix. The Director of Security is ex-officio member of the Internal Control Review Task Force.</p>	<p>LS will continue coordinating the multi-year risk assessments of heritage assets with the Director of Security.</p>
<p>2. We recommend transfer documentation be implemented as part of the Library's policies and procedures that will be adopted as a result of the risk assessment of the Library's collections. Proper transfer documentation ensures that materials transferred from one location to another within the Library are completely and accurately recorded. Transfer documents should be signed by both the transferring party and the party accepting the transfer or delivery. Both employees must verify the completeness and accuracy of the transfer. We recommend that policies be formulated documenting what item level security will be implemented for different categories of assets.</p>	<p>Partially Concur</p>	<p>LC has established minimal standards for transfer documentation (signature accountability) as part of the physical security plan. Signatures are required for items in the platinum and gold collections during the transit and processing cycles.</p>	<p>The specifications for the Integrated Library System include item level control. It is only with such a system that LC will be able to track movement of the thousands of new items added each day to the 113 million items in the collections.</p>

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

<b>Recommendations:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>3. We support the need for the Library to acquire an Integrated Library System, which will integrate many systems, provide more current and accessible bibliographic and inventory information, and provide the Library with available technology to keep pace with current and future demands. We recommend the Library develop a plan for converting the manual shelf lists so that this information may be merged into the ILS.</p>	<p>Partially Concur</p>	<p>A Shelflist Task Group report has already outlined the strategy for conversion. In addition a statement of work is in progress for a contract to be awarded for this activity.</p>	<p>Award the contract for the conversion of the manual shelf lists.</p>
<p>4. We recommend that facility requirements be considered in the overall collections risk assessment when considering preservation risk. Each division should include in their assessment any effects the acquisition of new facilities will have on their short term and long term preservation risks.</p>	<p>Concur</p>	<p>LC has developed an integrated preservation framework which includes assessing the impact of the facility on the preservation of the collection.</p>	<p>During the coming months LC will be applying the analysis grid of preservation actions (including facilities assessment) to each of the custodial and processing areas.</p>

**LIBRARY OF CONGRESS  
Financial Statements Audit  
Fiscal Year 1997  
COMMENTS BY MANAGEMENT**

**3. THE LIBRARY LACKS EFFECTIVE MANAGEMENT INFORMATION FOR MONITORING OF THE COLLECTION ASSETS' INTERNAL CONTROLS**

<b>Recommendation:</b>	<b>*LC Response</b>	<b>LC Action</b>	<b>LC Plans</b>
<p>We recommend integration of the performance plan process with the Library's collections risk assessment. Once the major controls over safeguarding of collection assets have been identified from the risk assessment, each division should develop measurable tasks that personnel should be performing to assure those controls are functioning. Division management should be held accountable for monitoring personnel assigned to these tasks. Reporting these results should be integrated into the Library's annual performance plans in order that management receives the information needed to assess the effectiveness of the internal controls over the collection assets.</p>	<p>Concur</p>	<p>LC has added collections security as an element in each manager's and supervisor's performance plan.</p>	<p>As the Library conducts additional risk assessments of the custodial and processing divisions, specific tasks for safeguarding the collections will emerge. Those tasks will be assigned and the assigned individuals and their chiefs will be accountable for them.</p>