



The Library of Congress
Office of the Inspector General



Integrated Support Services
The Landover Warehouse Internal
Controls: Progress Made, But
Additional Improvements Needed

Attestation Report No. 2005-AT-904
June 2006



UNITED STATES GOVERNMENT LIBRARY OF CONGRESS

Memorandum

Office of the Inspector General

TO: James H. Billington
The Librarian of Congress

June 19, 2006

FROM: Karl W. Schornagel
Inspector General

SUBJECT: *The Landover Warehouse Internal Controls:
Progress Made, But Additional Improvements Needed*
Attestation Report No. 2005-AT-904

This transmits our final attestation report on the system of internal controls at the Landover Warehouse Annex. Internal controls serve as the first line of defense in safeguarding assets and preventing and detecting errors, fraud, and violations of laws. The attestation was conducted to evaluate the system of internal controls currently in use plus planned enhancements, and attest to whether these controls are comparable to the best industry practices. We researched best practices suggested by the General Services Administration, the Government Accountability Office, and the International Society of Logistics. Our scope included all controls associated with the receiving, inventorying, storing, delivering, and discarding of assets at the Warehouse.

We determined that the controls at the Landover Warehouse are not comparable to the best industry practices. Notwithstanding this finding, we determined that ISS management has taken actions the past two years or has actions planned to address control weaknesses. If properly implemented and pursued continuously, these actions should bring about long-term and sustained improvements in physical inventory controls and inventory record accuracy, as well as physical security for the warehouse. The Executive Summary begins on page *i*, and complete findings and recommendations appear on pages 3 to 14. All recommendations were made to the Integrated Support Services except for recommendations 7, 8, and 9 which we directed to the Office of Security and Emergency Preparedness.

Overall, Integrated Support Services and the Office of Security and Emergency Preparedness agreed with our recommendations. Their responses to our draft report are briefly summarized in the Executive Summary and in more detail after individual recommendations appearing on pages 4, 5, 6, 8, 10, 11, 12, and 14. The complete responses are included as Appendices B and C.

Based on ISS' and OSEP's responses to the draft report, we consider all recommendations resolved. We appreciate the cooperation and courtesies extended during the audit by the Acting Head of Logistics, the Assistant Head of Logistics, and all of the Logistics Section staff.

cc: Deputy Librarian
Director, Integrated Support Services
Director, Office of Security and Emergency Preparedness

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EXECUTIVE SUMMARY

The Logistics Section manages Library assets of serialized personal property that approximate over 100,000 line items, valued at over \$200 million. In addition, the logistics staff receives, delivers, picks up, and disposes of approximately 15,000 items annually. Recently, the Office of the Inspector General (OIG) investigated two thefts at the Landover Warehouse Annex. The investigators suspect staff were involved in both cases. In light of these thefts, we conducted a review of the Landover Annex Warehouse internal control system to determine whether inventory controls, management oversight, and physical security were comparable to the best industry practices.

We determined that the controls are not comparable to the best industry practices. To its credit, ISS management has taken action the past two years to address control weaknesses. If properly implemented and pursued continuously, these actions should bring about long-term and sustained improvements in physical inventory controls and inventory record accuracy, as well as physical security for the warehouse. 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 the thefts, warehouse staff had neither performed inventories of assets stored at the warehouse, nor maintained a perpetual inventory of the assets. At the time of our field work, the Logistics Section was inputting inventory data into a newly purchased automated inventory system, Intellitrack. As an added control, we recommend that ISS management conduct periodic confirmation counts of the highly susceptible assets and compare the count against the inventory records. We also recommend limiting access to the Intellitrack system, to the extent possible, and assigning the Assistant Head of Logistics or a designated alternate responsibility for performing inventory adjustments (see page 3).

Security Measures Did Not Sufficiently Address the Threat of Employee Theft — We concluded that overall security (including infrastructure, security procedures, and guard forces) needed to be better targeted to address the threat of employee theft. Since the thefts, ISS more aggressively addressed infrastructure security weaknesses. In addition to the actions ISS has initiated, we recommend that the Office of Security and Emergency Preparedness consider assigning the guards exit inspection duties at the main door (see page 6).

Better Separation of Duties and Reconciliations Should Improve the Receiving and Shipping Functions — We found that ISS had not established the separation of duties necessary to ensure inventory integrity. We recommend separating the functions of inputting information into the Intellitrack inventory system and performing the custodial activities such as receiving, shipping, and storing physical assets. We also recommend that Logistics periodically reconcile all back orders with the service units to determine if the vendors filled the orders (see page 9).

Greater Separation of Duties is Necessary to Ensure Integrity of the Computers for Learning Program — The warehouse staff are responsible for both processing the application form (request form from charitable organizations participating in the Federal Computers for Learning Program) and for surplusing the property. To provide better separation of duties, we recommend that ISS management assign someone not working at the Landover Annex

responsibility for processing and approving the requests to participate in the Computers for Learning Program and the requests for surplus computer equipment. We also recommend that ISS investigate the surplus program operated by Dell Computers as a best practice (see page 12).

Both ISS and OSEP generally agreed with our findings. Their complete responses are included as Appendices B and C. Our complete list of recommendations is included as Appendix A.

INTRODUCTION

Integrated Support Services (ISS) is responsible for establishing and maintaining effective internal control to help ensure that the property received and stored at the warehouse is safeguarded, and reliable data are maintained to account for the property. Internal control activities are the policies, procedures, techniques, and mechanisms that help ensure that management's directives to mitigate risks are carried out. Control activities are essential for proper stewardship and accountability of government resources. Recently, the Office of the Inspector General (OIG) investigated two thefts at the Landover Warehouse Annex. One involved the theft of new computers and the other surplus computer equipment intended for charitable donation. The investigators suspect staff were involved in both cases. In light of these thefts, we conducted an attestation of the internal control system at the Landover Annex Warehouse.

BACKGROUND

In 1976, the Library signed an occupancy agreement with the General Services Administration (GSA) to occupy a 216,500 square foot warehouse and light industrial facility leased by GSA in Landover, MD. The lease expired on January 31, 2006. GSA renegotiated the lease and the Library signed a new occupancy agreement with GSA for five years beginning February 1, 2006. The Logistics Section (within ISS) manages 85,000 square feet of the Landover warehouse for receiving, storing, and disposing of inventory for the Library's service units. The remaining space is used for the Library's collections such as motion pictures, music, serials, manuscripts, and copyright deposits. A portion of the space has also been designated as an emergency operations headquarters for Library senior management.

According to the ISS web site, the Logistics Section manages "...Library assets of serialized personal property that approximate over 100,000 line items, valued at over \$200 million. In addition, the logistics staff receives, delivers, picks up, and disposes of approximately 15,000 items annually." Inventory is stored at the Landover warehouse until delivered to the Library's three Capitol Hill buildings. Normally, inventory is stored for a relatively short period. Most of this inventory belongs to the Preservation Directorate and the Publishing Office (Library Services), Facility Design and Construction (ISS), and the Congressional Research Service.

The Library requested funding in its FY 2007 budget for a new 162,043 square foot warehouse to be built at Fort Meade, MD. The new warehouse will contain storage space, office space for 85 workstations in an alternative operating facility, and space for receiving and administrative operations. ISS anticipates that the Landover warehouse will be phased out in FY 2010.

The ultimate purpose of logistics management is to provide material where and when needed to support a given mission at the lowest possible cost. Logistics encompasses the receiving, handling, storing, inventorying, transporting, order processing, salvaging, and disposing of materials.

OBJECTIVES, SCOPE AND METHODOLOGY

We performed this attestation to evaluate the system of internal controls currently in use at the Landover warehouse plus planned enhancements, and attest to whether the controls are comparable to the best industry practices as promulgated by GSA, the Government Accountability Office, and the International Association of Logistical Engineers. Our scope included all controls associated with the receiving, inventorying, delivering, and discarding of assets at the warehouse. These control activities include a wide range of diverse activities, such as approvals, authorizations, verifications, reconciliations, performance reviews, security activities, and the production of records and documentation.

We conducted two unannounced inspections of the warehouse. We interviewed management officials within the Logistics Section concerning its security procedures. We reviewed the current policies and procedures. At the time of our fieldwork, ISS had contracted with IBM to assist it with revising its procedures. We examined the revised procedures that the contractor had completed. We observed the receiving and shipping functions at the Landover and Madison Building loading docks. To better understand the control system, we selected a limited random sample of the control documents associated with receiving, shipping, and disposal. We verified whether logistics staff and service unit staff initialed the documents to acknowledge receipt and confirm the quantity of assets received.

We also surveyed the wide range of available logistics-related research and literature to understand logistics management principles and determine best industry practices. The literature provided us with a point of reference against which to compare and contrast the Logistics Section with the best private sector companies; a practice known as benchmarking. Benchmarking involves taking a systematic look at other organizations to identify methods, practices, and processes that help improve performance so that they can be implemented in the home unit. Additionally, we contacted the logistics staff at the Smithsonian Institution to compare its procedures with the Library's.

Our audit was an attestation engagement conducted in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States (the "Yellow Book"), Library of Congress Regulation (LCR) 1519.1, Audits and Reviews by the Office of the Inspector General, and attestation standards established by the American Institute of Certified Public Accountants.

FINDINGS AND RECOMMENDATIONS

I. The Logistics Section Has Not Maintained Physical Accountability of its Inventory but Enhancements are Planned

For the two years prior to the theft, the warehouse staff had not performed regular inventories of the assets stored at the warehouse nor maintained a perpetual inventory of these assets. Proper inventory accountability requires that detailed records of acquired inventory be maintained, and that this inventory be properly reported. Detailed asset records are necessary to help provide for the physical accountability of inventory and the efficiency and effectiveness of operations. In our opinion, the weak inventory controls at the Landover warehouse were a reflection of (1) the low priority management attached to physical inventories, and (2) the Logistics Section viewing itself as a temporary holding area for assets and relying upon the service units to account for their assets stored at the warehouse. We found inconsistencies among the service units in their accounting for assets. For example, CRS maintained accurate records of its assets held at Landover, while ITS relied upon the Logistics Section to accurately account for its assets. We believe it is the Logistics Section's and the service units' dual responsibility to account for assets.

Over the past 2½ years, the Logistics Section has initiated actions to improve control over the assets received and stored at the warehouse. We caution that an improved physical count process is only one of many corrective actions that will be required to resolve all of the Landover control deficiencies.

A. The Logistics Section Should Limit the Number of Personnel Inputting Data into the Intellitrack Automated Inventory System

ISS purchased an automated inventory system, Intellitrack, to assist with managing assets. Intellitrack provides ISS with the ability to maintain a perpetual inventory and better track the flow of assets. Staff will use hand held devices to input receipts and record shipments. Management plans to inventory all assets twice a year, compare the totals with the Intellitrack records, and reconcile any differences. Presently, the Logistics Section is establishing baseline counts for supplies and other inventories on-hand.

Similar to world-class organizations, Logistics Section management has segmented part of the inventory based on the dollar amount, criticality to operations, and susceptibility to theft or fraud. As discussed in our next finding, management has placed these items in a vault. It plans to count these items more frequently than twice a year.

At the time of our fieldwork, staff were loading inventory counts into the Intellitrack System using a dedicated computer. We observed that access to this computer had not been restricted. According to the Assistant Head of Logistics, although all staff had access, only a few were trained and would know how to make inputs or changes to the inventory records. Best practices dictate that personnel recording transactions that affect the on-hand quantities should not be responsible for the physical custody of the inventory or approval of adjustments. Separation between the duties of recording transactions that result from the physical count and duties of custody or approval is essential for maintaining the integrity of the physical count process.

Personnel recording inventory adjustments to the on-hand balances at leading-edge companies did not have custodial responsibilities, such as shipping, receiving, and storing, and were not able to approve significant adjustments to the records. Access to the Intellitrack system should be limited to the extent possible by separating these duties.

Likewise, only the Assistant Head of Logistics or a designated alternate should be able to perform inventory adjustments. Although conducting a physical inventory, comparing the count results to recorded quantities, researching differences, and determining and posting an accurate adjustment to the on-hand balance seems like a simple exercise, in reality, it is not. There are many factors that can cause the record of on-hand inventory to differ from the physical quantity counted, including omission of items from the count, incorrect counts, errors in cutoff, and improper recording or reconciliation of count results. For this reason, we believe that only the Assistant Head of Logistics should make the necessary reconciliation adjustments.

Recommendations:

We recommend that the Acting Logistics Section Head:

1. Provide clear guidance to Logistics Section staff that falsified reporting will not be tolerated and that if found, the strongest disciplinary actions would be taken.
2. Limit access to the Intellitrack system to the extent possible by separating duties.
3. Assign the Assistant Head of Logistics or a designated alternate responsibility for performing inventory adjustments.

Integrated Support Services Response and OIG Comments

ISS agreed with the recommendations. Regarding inventory adjustments, ISS noted that “the Logistics Section is only accountable for the box, not the contents of the box. The accountability of the contents of each box must remain the responsibility of the service/support unit customer.” While we basically agree, we also believe Logistics Services management is responsible for ensuring the seal on unopened boxes remains intact. Furthermore, whenever Logistics Services has to open a box to fill an order, it must accept accountability for the individual items in the box.

B. Mitigating Control Procedures Should Ensure Integrity of the Inventory Count

Due to its limited number of staff, the Logistics Section plans to use staff responsible for receiving inventory to also conduct the physical inventory count. To best accomplish separation of duties, the normal job activities of the person performing the physical count should not include custodial activities such as receiving, shipping, and storing physical assets. However, the Section has employed other controls that we believe effectively mitigate the recognized risk. These mitigating control procedures include blind counts, increased supervision, and applying dual control by having activities performed by two or more people.

A blind count refers to the performance of a physical inventory count without the knowledge of, or access to, the on-hand quantity balance in the inventory records. Inventory items are counted and compared to the on-hand balance in the inventory records. Blind counts offer the greatest degree of assurance of accurate and reliable counts. If the record on-hand quantity is provided to the counters, there is a risk that the counters will not actually perform the count. They may visually look at the inventory, conclude that it agrees with the record on-hand quantity, and record the on-hand balance amount as the physical count. We found that blind counts were one of the strongest control measures used at leading-edge companies.

In addition to the ‘blind counts,’ we believe ISS needs to periodically conduct unannounced inventories of the contents of the vault and compare it with the control records. Similarly, ISS management should periodically ask the service units what their records indicate is stored at the warehouse (computer equipment [REDACTED] and verify this information by an unannounced physical inventory. In our opinion, unannounced inspections provide the control needed to ensure integrity.

Recommendations:

We recommend that the ISS Director:

4. Perform quarterly unannounced counts of the contents of the vault and compare it with control records.
5. Periodically ask the service units what their records indicate is stored at the warehouse (computer equipment [REDACTED] and verify this information by an unannounced physical inventory.

Integrated Support Services Response and OIG Comments

ISS agreed with the recommendations. Concerning verifying the physical inventory, ISS noted that “This process will be much more efficient after all computer equipment [REDACTED] are migrated into the automated warehouse management system.”

C. Logistics Needs More Outcome Performance Measures

The Logistics Section maintains statistics to measure its success, however, most of these statistics are output rather than outcome based: number of orders received, pieces received, number of pick-ups, and number of deliveries. These statistics tell little about whether the Section is successfully accomplishing its mission. More meaningful are the statistics it maintains on the percentage of customers notified that their order was received within 24 hours of delivery to the warehouse, and the percentage of materials delivered to the customer within the delivery time goal. These outcome performance measures are similar to what world-class organizations maintain. We would like to see the Section maintain more outcome measures based on customer satisfaction. For example, the ratio of customer complaints to the number of items delivered. Once established, it should benchmark these measures with other similar sized agencies.

Although the Logistics Section is a year away from completing its first inventory, management needs to develop inventory performance measures. Leading edge companies use statistics such as (1) inventory record accuracy goals (98 percent accurate for example), and (2) quantity of adjustments (this reflects the number of accurate counts). There are multiple ways of calculating inventory record accuracy; however, the common method is dividing the number of items with an accurate count (the blind count and the Intellitrack record agree) by the total number of items or asset classes counted.

Recommendation:

We recommend that the Acting Logistics Section Head:

6. Establish more outcome performance measures, establish a benchmark, and compare its performance with other similarly sized agencies.

Integrated Support Services Response and OIG Comments

ISS agreed with the recommendation. According to ISS, "...responsibility for benchmarking ISS costs and performance measures of specific support services (including key Logistics functions) and comparing these with other federal agencies deemed best in government, or with the best in private industry, has been included in a revised position description for the currently vacant ISS position Project Management Coordinator (GS-301-14)."

II. Security Measures Did Not Sufficiently Address the Threat of Employee Theft

Because employee theft is hard to detect and prove, it is difficult to determine its extent and to convince senior management, solely based on a threat, to support effective physical security measures. However, ISS management reacted to the recent theft and instituted measures to address control weaknesses. ISS addressed infrastructure security weaknesses by (1) installing additional cameras to better monitor areas such as the loading dock and the trash dumpster, and (2) installing fencing around the dumpster. This will limit access and hinder someone planning to place valuable assets in the dumpster and later retrieving them.

Figure 1. The Landover Warehouse dumpster taken from inside the warehouse. It is easily accessed from inside the warehouse and the outside parking lot.



Moreover, the Assistant Section Head restricted access to the warehouse area by personnel from other Library offices working at Landover. He accomplished this by limiting access (via the card reader access system) to only supervisors from the other Library offices working in the Landover Annex. Finally, he more effectively restricted access to assets highly susceptible to theft by placing them in a locked vault. We confirmed that laptops, PDAs, and other susceptible assets are stored in the vault area in the warehouse with access limited to the Assistant Head of Logistics and the Warehouse Foreman. These controlled items are subject to more frequent physical inventories than uncontrolled items. Plans call for installing fencing in several warehouse aisles to better restrict access to computer equipment – both new and surplused (Management informed us at the Exit Conference that this was finalized on January 24, 2006). Both of these actions are best industry practices. Determining whether an asset is pilferable is pivotal in establishing the degree of oversight exercised by the control system.

Figure 2. The entry to the new vault via the warehouse.



Figure 3. The inside of the new vault with boxes of new computers.



Regarding security procedures, the Logistics Section is in the process of revising its procedures to better address security weaknesses. Steps taken include (1) requiring staff to exit only by the front door, (2) assigning two staff members to receive and dispose of computer equipment and

other assets more susceptible to theft, and (3) performing walk-through inspections. Camera and surveillance systems are good, but something as simple and inexpensive as unscheduled walk-throughs are also very effective theft deterrents. Unpredictability is the key. Warehouse supervisors should conduct their walk-throughs frequently and without a fixed schedule.

We found conflicting data as to whether the contract guards performed regular walk-throughs and whether the walk-throughs focused on protecting the inventory. During one of our unannounced visits, we observed the contract guard inspecting the entire warehouse complex. However, warehouse staff we interviewed stated that the contract guards did not regularly conduct inspections, and the primary purpose was to turn on the lights and check the doors early in the morning.

Notwithstanding the measures taken, more needs to be done to emulate industry best practices. The Landover warehouse lacked any type of exit inspections. The contract guards we interviewed said they stopped anyone leaving with a large bag, but generally did not inspect staff when entering or exiting.

The revised warehouse procedures require all staff to exit by the main door. If followed, this provides better control combined with the recommended exit inspections. The Assistant Head of Logistics ensures staff follow this rule by locking all other exits (the door can be opened but the fire alarm will sound) and by making walk-throughs at the end of the workday. Another security control used by the military and other security conscience companies is conducting random inspections of employees' vehicles.

We commend the equipment enhancements taken such as the use of the vault room and plans to add fencing to limit access to several of the warehouse aisles. Additional equipment solutions are possible, as well. Such items as security mirrors permit visibility into closed areas, around corners, and into hallways. There are other products that can lock a pallet rack bay or a shelving unit down, allowing the combination of security and storage into the same process. Security-focused storage equipment is not the sole answer, of course, but its role is often understated.

Recommendations:

We recommend that the Office of Security and Emergency Preparedness:

7. Post a check sheet at several strategic points in the warehouse. The contract guard should initial and post the date and time for each inspection.
8. Consider the additional cost of assigning inspection duties to the guards at the main door.
9. Consider the feasibility of conducting random inspections of vehicles. This will require negotiations with the union.

Furthermore, we recommend that the Acting Logistics Section Head:

10. Place the Logistics staff sign-in/out register at the Landover Annex front door.

***Office of Security and Emergency Preparedness and
Integrated Support Services Responses and OIG Comments***

OSEP agreed with the recommendations. Concerning the feasibility of conducting random inspections of vehicles, OSEP replied that it would coordinate this proposal with the Office of the General Counsel, Human Resources Services' Office of Workforce Management, and the CEO of Securiguard.

ISS disagreed with recommendation 10 stating that many LOC staff members at Landover are not Logistics staff members and therefore it is not Logistics' responsibility to account for these staff. We agree. Our recommendation was intended for the Logistics staff, not all staff working at Landover. The primary objective of the recommendation was to act as a control to ensure all staff exit via the front door and are subject to the exit check we have recommended. Since we believe all staff should be subject to exit inspection, we will contact the management of the other units with staff stationed at Landover to recommend that they also sign-in/out at the front door.

**III. Better Separation of Duties and Reconciliations
Should Improve the Receiving and Shipping Functions**

Receiving and shipping in the warehouse bring the greatest opportunity for error, as well as for pilferage and theft. Because accidental or deliberate discrepancies will occur, it is particularly important to create a carefully established routine for both functions. At the time of our fieldwork, ISS was working with a contractor to revise the Landover Annex receiving and shipping process. We evaluated these processes and determined that while ISS management has taken steps to improve overall accountability, vulnerabilities continue to exist. This is due primarily to the nature of the warehouse acting as an intermediate receiving depot. Its role is to serve as a temporary holding area, similar to a post office. The mail recipient, in this case the service unit, is responsible for making sure that it receives the materials it ordered. For this reason, physical security measures and close monitoring by supervisors is critical.

A. Receiving Function

The Logistics Section effectively records and tracks the materials received at the Landover warehouse, but the service units are the main control to ensure that the materials received match the order. We found that Logistics has taken steps to better ensure that it promptly delivers all materials received to the service units. The receiving routine includes checking-off on the packing slip the items received and initialing the slip to establish accountability. Receiving staff check boxes for damage. The policy is to refuse the entire shipment if there is any damage detected. Staff do not open boxes delivered to the warehouse to verify the actual contents, with the exception of CPUs, [REDACTED] and items above \$25,000.¹ Without opening the box, it is not possible to verify the contents. For this reason, the service units must be diligent in tracking their orders.

¹ Logistics Section maintains an automated property control database, IBCFACS (International Bar Code Fixed Asset Control System) of all property valued above \$25,000, plus all CPUs [REDACTED]. In addition to purchased assets, the system includes leased and rental property such as vehicles and photocopiers. Logistics Services attaches a bar code to these assets and inputs pertinent data into the system.

To increase control, the Assistant Head of Logistics now requires two staff to sign for any computer equipment received. Some leading edge companies provide a separate receiving tally sheet rather than using the packing slip. Companies using this method also require an independent verification based on blind receipt; they do not tell receiving clerks the count expected. Best industry practices also suggest that receiving employees work in pairs and check each other's work. In our opinion, requiring two staff to check-in the high dollar and computer equipment provides adequate control. We do not believe that a separate tally sheet or a blind count is needed.

Receiving staff also match the packing list to a purchase order, when possible, to ensure that they received everything ordered. This control is not always possible if the packing slip does not denote the purchase order number, or for credit card orders that do not have an associated purchase card number. We observed that in most instances, the Logistics Section is able to track down the purchaser without a purchase order number based on the type of asset received.

As discussed above, Logistics plans to begin inputting all receipts into the new Intellitrack inventory system. To best accomplish separation of duties, the person inputting information into the Intellitrack system should be separate from the persons performing the custodial activities such as receiving, shipping, and storing physical assets. Separation between the duties of recording transactions and duties of custody or approval is essential to provide for the integrity of the inventory records. Personnel recording inventory adjustments to the on-hand balances at leading-edge locations did not have custodial responsibilities, such as shipping, receiving, and storing, and did not have to approve significant adjustments to the records.

Recommendation:

We recommend that the Acting Logistics Section Head:

11. Ensure adequate separation of duties for the functions of receiving and recording the transactions.

Integrated Support Services Response and OIG Comments

ISS agreed with the recommendation.

B. Back Orders

The Logistics Section maintains a paper file of partially filled purchase orders. Some of these open orders are more than two years old. Logistics has not contacted the service units to reconcile its records. Without this reconciliation, there is no assurance that all ordered materials are received. We attribute the unreliable records to two factors. First, receiving staff do not always remember to check this file when a delivery is made. Second, a service unit may have cancelled the back order and not notified the Logistics Section. The implementation of the Intellitrack system should make this task simpler and allow staff to more easily monitor back orders.

Recommendation:

We recommend that the Logistics Assistant Section Head:

12. Reconcile all back orders with the service units periodically to determine if the vendor had completely filled the order.

Integrated Support Services Response and OIG Comments

ISS agreed with the recommendation.

C. Shipping Function

At the time of our fieldwork, ISS was taking action to improve the control and accountability over the assets during shipping to the service units. One action planned is to “seal” the truck before delivery and forward a manifest to the Madison loading dock. As long as the seal is in tact, management has assurance that the driver did not have access to the load. Of course, if the seal is broken or missing, ISS will question the driver and investigate missing materials, if any. To be effective, it is vital that management strictly control access to the seals. Sealing the trucks will provide more restricted access to the inventory items. However, Logistics staff receiving materials at the Madison loading dock do not verify the contents of the boxes delivered. The system relies upon the service unit to report any shortages.

The process for establishing accountability for the delivery of materials to the service units functions properly but can be improved. The Logistics Section uses a copy of the purchase order to record delivery to the service unit. It asks the service unit to check-off on the purchase order the items received and initial the order to denote receipt. It stamps the copy of the purchase order with a place for the service unit to sign to acknowledge receipt. However, we found that it was not clear to the service units that this was the place for them to sign. This increases the chance that the service unit will not initial the form. We also found that initials were hard to read therefore making it difficult to establish accountability.

Recommendations:

We recommend that the Acting Logistics Section Head:

13. Ensure that access to the truck “seals” is restricted to the Assistant Section Head and one alternate.
14. Revise the stamp to indicate more clearly where the service unit should sign. The stamp should also require the person receiving the item to both print and sign their name to eliminate any doubt as to the responsible person should a problem occur.

Integrated Support Services Response and OIG Comments

ISS agreed with the recommendations.

D. Security Issue

Packages received at the Landover warehouse and subsequently delivered to the Madison loading dock are not subjected to metal detector testing. These materials circumvent the security measures established for Capitol Hill since 9-11, and thereby unnecessarily place the Library headquarters at risk.

Recommendation:

We recommend that the ISS Director:

15. Meet with the Office of Security and Emergency Preparedness to discuss security procedures for deliveries to the Madison loading dock.

Integrated Support Services Response and OIG Comments

ISS agreed with the recommendation. ISS replied that “In consultation with OSEP, ISS has included the Library in a Capitol Hill Police study to examine an off-site Logistics Transfer Model. ISS is co-funding this study. The study will determine which categories of material destined for Capitol Hill should be subject to off-site screening and processing.”

IV. Greater Separation of Duties is Necessary to Ensure Integrity of the Computers for Learning Program

At the time of our fieldwork, the Logistics Section held a significant amount of surplus computer equipment: 1,054 CPUs and 260 monitors. Although surplus, these assets represent thousands of dollars in property that may be useful to charitable organizations. The Library participates in the Federal Computers for Learning Program.² Effective controls are needed to ensure this property is made available, to the greatest extent possible, to educational organizations and other charitable groups. The Logistics Section has improved its control over surplus materials but greater separation of duties is necessary to ensure program integrity.

² The Computers for Learning Program, created in 1996 by Executive Order 12999, encourages the transfer to schools and non-profit organizations of educationally useful Federal equipment that is surplus to the government.

Figure 4. The 260 surplus computer monitors stored at Landover Annex.



Figure 5. The 1,054 surplus CPUs.



New procedures require two staff members to witness the destruction or the donation of the excess computers, weapons, and other assets valued over \$25,000. All donations are reported on a standard GSA Standard Form 122 “Transfer Order Excess Personal Property.” For destroyed property, the Logistics Section prepares a “Certificate of Abandonment and Destruction” that itemizes the quantity, an item description, bar codes (if available), and the date destroyed. It then matches these forms with the report from the service unit requesting pick-up of the surplus property. We observed that the service units did not have a standard form to use. Some service units prepare an email itemizing the surplus assets while others do not prepare a listing. In these instances, staff prepare a list upon pick-up. The list from the service unit serves as a control document to track the material and to trace accountability.

We verified that management maintains a file of applications from the schools and non-profit organizations. An educational non-profit is eligible to receive donations if it is classified as tax exempt under section 501 (c) of the IRS tax code. The application requests the tax identification number for private schools. We tested five recent donations and found four of the five applications had the required tax identification. The fifth applicant provided a group tax exemption number from its umbrella national church.

Warehouse staff are responsible for both processing the application form and for surplus property. We believe better separation of duties is needed. The Property Control Manager (an Inventory Specialist stationed at the Adams Building) receives copies of all these documents and records the transfer of these assets in the IBCFACS (International Bar Code Fixed Asset Control System). However, the Property Control Manager is not part of the approval process.

We also believe that ISS should investigate a surplus program operated by Dell Computers. Dell’s “Asset Recovery Services” is a suite of services offered by Dell that allows you to choose whether to recycle or resell your old or outdated computer equipment. The program removes tags and labels from equipment and overwrites hard disks. It also eliminates the cost of storing excess computer equipment. This could be significant given that the Logistics Section presently is holding over 1,000 excess computers. Our interviews with the Logistics staff at the Smithsonian indicated that they were very satisfied with the Dell program.

Recommendations:

We recommend that the ISS Director:

16. Develop a standard form and require the service units to complete the form before scheduling pickup by the Logistics Section.
17. Assign someone not working at the Landover Annex responsibility for processing and approving the requests to participate in the donation program and the requests for surplus computer equipment.
18. Consider the surplus program operated by Dell Computers.

Integrated Support Services Response and OIG Comments

ISS agreed with the recommendations. Regarding recommendation 18, ISS noted that "...this program is outside of the Federal Government's established protocol for the disposal of excess equipment in general, as well as outside the specifically authorized federal 'Computers for Learning Program.' Nonetheless this avenue is being researched by ISS at the IG's request."

CONCLUSIONS

Asset management is rarely considered mission critical to anyone outside of Logistics. It is also a difficult initiative for Logistics because it is responsible for the receipt, storage, and delivery, but does not own the assets. Although ISS recognized the vulnerability of its assets stored at Landover prior to the theft, these assets were susceptible to employee theft due to a combination of poor inventory controls, poor physical security, and inadequate oversight. The likelihood that inventory losses are due to theft is much higher when inventory control weaknesses are found in tandem with poor physical security.

No single fix will eliminate theft, but a combination of processes, hiring standards, and security systems can combine to help reduce losses associated with internal inventory theft. To its credit, ISS management has taken action to address control weaknesses and implement best industry practices. The positive actions taken by ISS, if properly implemented and pursued continuously, should bring about long-term and sustained improvements in physical inventory controls and inventory record accuracy, as well as physical security for the warehouse. We recognize that many of the controls we have recommended may give the appearance of not trusting staff. For this reason, we think it is especially important for ISS to recognize staff doing good work or making suggestions to improve efficiency and cut costs. When someone has done something beyond the norm, recognize their efforts immediately by giving them a token of appreciation.

Major Contributors to This Report:

Anita Scala, Assistant Inspector General for IT and Security Audits
Patrick J. Cunningham, Senior Auditor
Cornelia E. Jones, Auditor

APPENDIX A

List of Recommendations

1. Provide clear guidance to the Logistics Section staff that falsified reporting will not be tolerated and that if found, the strongest disciplinary actions would be taken.
2. Limit access to the Intellitrack system to the extent possible by separating duties.
3. Assign the Assistant Head of Logistics or a designated alternate responsibility for performing inventory adjustments.
4. Perform quarterly unannounced counts of the contents of the vault and compare it with control records.
5. Periodically ask the service units what their records indicate is stored at the warehouse (computer equipment [REDACTED] [REDACTED]) and verify this information by an unannounced physical inventory.
6. Establish more outcome performance measures, establish a benchmark, and compare its performance with other similarly sized agencies.
7. Post a check sheet at several strategic points in the warehouse. The contract guard should initial and post the date and time for each inspection.
8. Consider the additional cost of assigning inspection duties to the guards at the main door.
9. Consider the feasibility of conducting random inspections of vehicles. This will require negotiations with the union.
10. Place the Logistics staff sign-in/out register at the Landover Annex front door.
11. Ensure adequate separation of duties for the functions of receiving and recording the transactions.
12. Reconcile all back orders with the service units periodically to determine if the vendor had completely filled the order.
13. Ensure that access to the truck “seals” is restricted to the Assistant Section Head and one alternate.
14. Revise the stamp to indicate more clearly where the service unit should sign. The stamp should also require the person receiving the item to both print and sign their name to eliminate any doubt as to the responsible person should a problem occur.
15. Meet with the Office of Security and Emergency Preparedness to discuss security procedures for deliveries to the Madison loading dock.
16. Develop a standard form and require the service units to complete the form before scheduling pickup by the Logistics Section.
17. Assign someone not working at the Landover Annex responsibility for processing and approving the requests to participate in the donation program and the requests for surplus computer equipment.
18. Consider the surplus program operated by Dell Computers.

UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS

Memorandum

Integrated Support Services

TO: Karl Schornagel
Inspector General

DATE: March 29, 2006

FROM: Mary Levering
Director, Integrated Support Services



SUBJECT: ISS Comments on Draft Attestation Report No. 2005-AT-904, February 2006, on
"Landover Warehouse Internal Controls"

This is in response to your memo of February 28, 2006, requesting comments from Integrated Support Services on the Draft Attestation Report No. 2005-AT-904, dated February 2006 on "Landover Warehouse Internal Controls." Thank you for the opportunity to provide ISS input to the IG's draft report.

1. ISS Responses to Attestation Report Recommendations:

ISS management agrees with all recommendations in #1-6 and 11-18 and, in fact, as noted in many places throughout the report, ISS management had already taken many steps over the past 2-½ years to initiate most of these improvements.

Recommendations #1-6, 11-18: Attachment 1 contains the ISS Directorate's comments and responses on the draft report's recommendations #1-6 and #11-18 that relate to ISS responsibilities. ISS management has also been tracking progress regularly on all of these improvements, and, as necessary, has adjusted its course of action when some approaches were deemed more productive than others.

Recommendations #7-10: These 4 recommendations refer to the responsibilities of the Office of Security and Emergency Preparedness (OSEP), which has responsibility for the contract security guards and security in general at the Landover Center Annex. ISS defers to OSEP on these 4 recommendations, including #10, because this recommendation would affect multiple tenants at LCA, including Copyright Office and Library Services staff as well as ISS/Logistics staff, and ISS believes it is beyond the scope of ISS authority to implement and monitor. ISS/Logistics staff will certainly cooperate with any directions that may be issued by the Library or OSEP to all LCA tenants.

2. ISS Management Oversight and Direction to Logistics Operations:

ISS management appreciates the recognition by the report's authors of the many improvements the new ISS managers have initiated in the past 2 ½ years. ISS would like to express concern, however, about statements in a few places regarding "inadequate management oversight." Since mid-2003 ISS has been under new management. We cannot speak for prior ISS

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management. Over the past 2 ½ years, however, ISS new management has devoted *significant time, attention, concern, effort and resources to support and improve the Logistics warehouse and other operations*, providing a great deal of management oversight to the whole operation, including security.

Since becoming Director of ISS (acting director late May 2003 and permanent director in September 2004), I quickly recognized that the Logistics operation needed considerable attention, oversight, and re-direction of its activities. Within the next several months after assuming my new assignment, I hired two staff members with significant Logistics experience. Robert Williams, currently Acting Head of Logistics and Chief of Office Systems Services, is a retired Navy Supply Captain with years of demonstrated expertise, experience, leadership and advanced degrees in Logistics Management, who joined the ISS staff in November 2003. Also joining the ISS staff in June of 2004 was R. Quincy Allen, who has almost twenty years of effective warehouse management experience with the Lowes Corporation. Since that time, Mr. Williams and Mr. Allen have gradually taken on most of the Logistics operational reins and I have remained heavily involved in planning, operational assessments, resource allocations and more. Virtually all of the improvements that you acknowledge in your draft report are a direct result of ISS management oversight, involvement, support, and shifts in personnel and responsibilities during the past 2 ½ years.

Thus, current ISS management requests that you review the report's characterization in a few places where "inadequate management oversight" is cited. We believe that current ISS management has, in fact, given great attention and oversight to Logistics operations, particularly in light of the aggressive actions toward improvements taken from mid-2003 to date, as summarized in Attachment 2. We have worked diligently to identify, plan, and implement best industry practices, effect positive change, and accomplish improvements in the Logistics operations.

We have particular concerns about the following statements:

(1) – **“Although ISS recognized the vulnerability of its assets stored at Landover prior to the thefts, these assets were susceptible to employee theft due to a combination of poor inventory controls, poor physical security, and inadequate management oversight...”** Executive Summary, paragraph 2, p. i. [*ISS Comment: While I cannot speak for prior ISS management, current ISS management has provided substantial management oversight to increasing security and reducing risks of employee theft.*]

(2) – **“In our opinion, the weak inventory controls at the Landover Annex are a reflection of the (1) low priority management attached to physical inventories...”** Executive Summary, paragraph 4, p. i and p. 3, paragraph 1. [*ISS Comment: Again, while I cannot speak for prior ISS management, the new ISS management has demonstrated strong support for physical inventories, as described in actions # 3, 9, 11 and 12 in Attachment 2, which summarize multiple efforts to develop and maintain accurate inventories.*]

(3) – **“Since the reported thefts, the Logistics Section began taking action to significantly improve control over the assets received and stored at the warehouse.”** Paragraph 2, p. 3. [*ISS Comment: Current ISS management began to take concerted action more two years ago –*

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action that was initiated before, and independent of, any reported thefts – to improve control over the assets received at Landover, including computer equipment (see #3, 7, 8, 9, 11, 12, 16, and 17 in Attachment 2)].

(4) – “**Asset Management is rarely considered mission critical to anyone outside of Logistics.**” Conclusions, paragraph 1, p. 13. [*ISS Comment: Current ISS managers, including the director, not just Logistics staff, consider proper asset management to be mission critical, as described in Attachment 2 in numerous actions taken in the past 2 ½ years.*]

ISS Request: While we recognize and agree that more can always be done to improve security, we believe that the current ISS management has indeed demonstrated strong oversight, actions, and determination to improve operations and security. Based on the details provided in Attachment 2, ISS requests that the IG’s draft attestation report statements noted above **be amended before publication in final form** to reflect in the sections noted above the significant amount of ISS management oversight by current managers and dedicated efforts in the past 2 ½ years to improve the Logistics operations, and control and security at the Landover warehouse.

3. A few other factual corrections requested:

- *p. 1, 4th paragraph:* The proposed warehouse at Ft. Meade is for 162,000 gross sq. ft. (not 166,000), 154,880 net sq. ft., of which 123,000 sq. ft. is for general storage area, 15,000 sq. ft. for the Library’s Emergency Control Center, 9,120 sq. ft. (not 41,000 sq. ft.) for receiving and administrative operations, loading docks and staging areas, and 3,450 sq. ft. for mechanical and electrical areas.

- *p. 6, 1st paragraph:* “**Before the theft, security (including infrastructure, security procedures, and guard forces) was generally not targeted to address the threat of employee theft.**”

ISS Comment:

- More than 2 years ago, I personally initiated several major procedural changes – before I knew of any specific thefts at Landover – to improve the security and handling of used computers by completely changing the way ISS employees handled the work related to the Computers for Learning Program and to tighten security related to this equipment. The purpose was to reduce/eliminate the opportunity for potential employee misconduct that existed under the prior arrangement, as well as to increase efficiency.
- Shortly after his hiring in 2004, the new Assistant Head of Logistics made many changes and further recommendations related to tightening security in general (which I fully supported) in the warehouse operations, many of which were geared specifically to reduce the risk of employee misconduct (including possible theft), **before** the report of any specific thefts. These included:
 - recommended to OSEP the re-positioning of the security cameras to different angles to improve the span of the view;
 - moved some storage items that previously blocked camera views in order to provide a clearer view of the loading dock and truck loading operations;
 - moved smaller, more vulnerable electronics equipment into the locked vault area, including fax machines, sound equipment and the like;
 - requested from OSEP the installation of cameras in the second part of the warehouse (between aisles L and W) where there were none previously;

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- stopped the previous practice of having drivers pull materials from storage for loading into truck and delivery, in order to provide for more separation of duties, thus reducing the risk of employee malfeasance;
- had drivers begin to report daily a delivery count of all pallets delivered to Library customers (no previous daily reports);
- initiated the requirement for 2 people to sign for every "pull," *i.e.*, request for items for delivery to Library customers (no previous requirement for 2 signatures)
- and more.

- *p. ii, top paragraph*: **"We recommend that ISS consider assigning the guards exit inspection duties and the main door (see page 6)."** [ISS Comment: Oversight of the security guards is a responsibility of the Office of Security and Emergency Preparedness, not ISS.]

- *p.3, 2d paragraph*: **"Since the reported thefts, the Logistics Section began taking action to significantly improve control over the assets received and stored at the warehouse."** [ISS Comment: Current ISS management began to take concerted action more than two years ago – action that was initiated **BEFORE**, and independent of, any reported thefts – to improve control over the assets received at Landover, especially computer equipment (see description above and in #17 on Attachment 2)].

In closing, while ISS agrees that more can always be done to increase security, ISS wants to emphasize that ISS current management has been, and continues to be, strongly dedicated to effective security and strong management oversight to Logistics operations.

I am available at any time to meet with the IG reviewers to provide additional input if needed. Thank you for your consideration of ISS requests.

- Attachments:
1. ISS Responses to Recommendations
 2. ISS Management Oversight and Direction to Logistics Operations

cc w/copy of attachments:

General Donald Scott, DLC

Ken Lopez, Director, OSEP

Robert Williams, Acting Head, Logistics & Chief, Office Systems Services

Quincy Allen, Assistant Head, Logistics

file: ISS Audits - No. 2005-AT-904

net: I:\director\admin\audits\No. 2005-AT-904-Logistics Response-memo.wpd

Attachment 1

**Integrated Support Services/Logistics Response
to Draft Report No. 2005-AT-904
March 15, 2006**

ISS Responses to Recommendations

Recommendations:

1. Provide clear guidance to the Logistics Section staff that falsified reporting will not be tolerated and that if found, the strongest disciplinary actions would be taken.

ISS Response: Agree

While ISS has no evidence of any instance where any member of the Logistics staff falsified reports. It is standard ISS management policy not to tolerate such action and to pursue the absolute strongest available disciplinary action in any instances identified where this may have occurred.

2. Limit access to the Intellitrack system to the extent possible by separating duties.

ISS Response: Agree

ISS management is taking steps to separate duties by assigning another staff member to assist the Logistics warehouse operation. This staff member will handle the recordkeeping for Receiving separately from the staff who handle recordkeeping of storage and distribution of material.

3. Assign the Assistant Head of Logistics or a designated alternate responsibility for performing inventory adjustments.

ISS Response: Agree

The Logistics warehouse currently provides two different storage functions:

- (1) temporary storage of new items received as a result of a purchase order or contract, and
- (2) temporary storage of items not currently needed to support service/support units' immediate operational needs, requiring offsite storage.

Intellitrack, the new automated warehouse management system, purchased by ISS in mid-2004 and currently being implemented at the warehouse, has the capability to track both categories of items, though to different degrees. Once fully implemented, new items will be received and recorded by purchase order/contract number, based on the item nomenclature description contained on the requisition. The warehouse will be the accountable custodian of these at the item level until these items are issued to the end user. The material in the second category of storage will be received from the service/support units and recorded at the box quantity level, with a generic description of what is contained in each box and a number to identify the box. For these materials the Logistics Section is only accountable for the box, not the contents of the box. The accountability of the contents of each box must remain the responsibility of the service/support unit customer.

Currently, Logistics provides material inventory and item management for the Supply Store. The responsibility for performing inventory adjustments for these materials has been restricted to the Assistant Head of Logistics, the LCA warehouse foreman, or the Work Leader in the foreman's absence. As baseline inventories are established for material owned and controlled by other service/support units, and this material migrates into the recently acquired automated warehouse management system, inventory adjustments for this material will be subjected to the same controls.

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4. Perform quarterly unannounced counts of the contents of the vault and compare it with control records.

ISS Response: Agree

The ISS Director will establish a team of professional staff to conduct an unannounced quarterly independent inventory count of the vault contents and compare it with the control records. This responsibility is being noted in the Logistics annual Management Plan, and Logistics will report on actions taken and results in their quarterly reports to the Director.

5. Periodically ask the service units what their records indicate is stored at the warehouse (computer equipment [REDACTED]) and verify this information by an unannounced physical inventory.

ISS Response: Agree

The Assistant Head of Logistics will periodically ask ITS (for computer equipment) and the Office of Security and Emergency Preparedness [REDACTED] to confirm their records of inventory stored in the warehouse; this manager will verify this data by an unannounced physical inventory of the material. This process will be much more efficient after all computer equipment [REDACTED] are migrated into the automated warehouse management system.

6. Establish more outcome performance measures, establish a benchmark, and compare its performance with other similarly sized agencies.

ISS Response: Agree

ISS management has already assigned all ISS Managers, including the Acting Head of Logistics, to identify, track, and report on meaningful and appropriate performance measures for major ISS functional responsibilities including Logistics. There are currently over sixteen measurable performance metrics reported quarterly to the Director, compared to none three years ago. As different areas of performance emphasis are identified, these metrics will continue to evolve. In addition, responsibility for benchmarking ISS costs and performance measures of specific support services (including key Logistics functions) and comparing these with other federal agencies deemed best in government, or with the best in private industry, has been included in a revised position description for the currently vacant ISS position of "Project Management Coordinator (GS-301-14)."

7. Post a check sheet at several strategic points in the warehouse. The contract guard should initial and post the data and time for each inspection.

8. Consider the additional cost of assigning inspection duties to the guards at the main door.

9. Consider the feasibility of conducting random inspections of vehicles. This will require negotiations with the union.

Note: This contract is a responsibility of the Office of Security and Emergency Preparedness.

10. We recommend that the Acting Logistics Section Head place a sign-in/out register at the Landover Annex front door.

ISS Response: Disagree

It is not the responsibility of Logistics to account for staff signing in or out at the Landover Center Annex front door. Many LOC staff members at Landover are not Logistics staff members. Since this a security and accountability issue relating to the whole facility, ISS believes that this should be a responsibility of OSEP, not Logistics.

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ISS believes that having Logistics post its register at the front does not provide any additional benefit. Under current procedures, all visitors, *i.e.*, anyone for whom LCA is not their place of duty must sign in at the front at the present time. Unless all of the LCA staff are required to sign in and out each time they leave the building, then this makes little sense.

Other issues include: Who is going to oversee the consistency and accuracy of this register? Who is responsible for the signing in of staff that are from various service units? Who is the IG trying to keep an accounting of? Shouldn't it be for everyone coming in and out of LCA, not just Logistics personnel? Is the assumption that the thefts are solely contained within Logistics and that none of the other LCA staff represents any risk? The easier solution may be to install card key access to every door, including entrance and exit doors.

11. Ensure adequate separation of duties for the functions of receiving and recording the transactions.

ISS Response: Agree

ISS management has taken steps to ensure that staff assigned the responsibility for performing custodial functions for materials are separate and different from staff recording the receipt of that product on the inventory records.

12. Reconcile all back orders with the service units periodically to determine if the vendor had completely filled the order.

ISS Response: Agree

The ISS Logistics staff at Landover have already included this activity in their annual Logistics Management Plan as a periodic responsibility and they will report in their quarterly reports on actions taken to fulfill this requirement.

13. Ensure that access to the truck "seals" is restricted to the Assistant Section Head and one alternate.

ISS Response: Agree

This new control initiative restricts access to the truck seals to the Assistant Head of Logistics; the alternate is the warehouse foreman.

14. Revise the stamp to indicate more clearly where the service unit should sign. The stamp should also require the person receiving the item to both print and sign their name to eliminate any doubt as to the responsible person should a problem occur.

ISS Response: Agree

ISS has already taken steps to order new stamps to use on all purchase orders for service units to print and sign their names to acknowledge receipt and establish clearly who actually received and signed for the shipment for the service unit.

15. Meet with the Office of Security and Emergency Preparedness to discuss security procedures for deliveries to the Madison loading dock.

ISS Response: Agree

The current security model does not include the screening of all freight orders coming in response to a purchase order or contract. In consultation with OSEP, ISS has included the Library in a Capitol Hill Police study to examine an offsite Logistics Transfer Model. ISS is also co-funding this study. The study will determine which categories of material destined for Capitol Hill should be subject to off-site screening and processing. The ISS Director and Acting Head of Logistics have been in regular contact with OSEP on this topic and will schedule additional meetings with OSEP as needed. During FY05 several security enhancements were made to the Madison Loading Dock area, and more are slated for FY06.

16. Develop a standard form and require the service units to complete the form before scheduling pickup by the Logistics Section.

ISS Response: Agree

ISS will develop a standard form for Service and Support Units to complete and fax or email to Logistics before scheduling a pickup of all surplus assets. The form will require itemizing of all surplus assets for disposal.

17. Assign someone not working at the Landover Annex responsibility for processing and approving the requests to participate in the donation program and the requests for surplus computer equipment.

ISS Response: Agree

ISS will assign a non-Landover staff member to review all applications for computers received under the Computers for Learning Program and ensure that these meet the federal requirements before management approves them for donation. ISS management also took steps many months ago to strengthen the controls on this program as well, creating mechanisms for systematic recordkeeping and reporting of activities conducted and donations made as part of the program.

18. Consider the surplus program operated by Dell Computers.

ISS Response: Agree

ISS has assigned a staff member to research and report on the surplus program operated by Dell Computers. It should be noted, however, that this program is outside of the Federal Government's established protocol for the disposal of excess equipment in general, as well as outside the specifically authorized federal "Computers for Learning Program." Nonetheless this avenue is being researched by ISS at the IG's request.

Attachment 2

**Integrated Support Services/Logistics Response
to Draft Report No. 2005-AT-904
March 22, 2006**

Summary of Recent ISS Management Oversight and Direction to Logistics Operations

Mary Levering, ISS Director

Since mid-2003 (close to the end of FY03), ISS has been under new management. As the new ISS Director, I inherited numerous challenges, not least of which was the urgent need for a extensive attention and re-direction of the Library's space management in general, and particularly the storage practices at the Logistics warehouse in the leased Landover facility. I also recognized that the Logistics receiving and warehousing operations needed serious management attention, re-engineering and additional resources as well.

During the past 2 ½ years, I have provided on-going management leadership and oversight, and initiated many actions to support significant changes and improvements in the warehousing, inventory management operations and security at the Logistics warehouse. Some of these management steps, resources allocated, and improvements initiated are described below. Throughout this whole period, the two other newly appointed Logistics managers and I have devoted a great deal of time, attention, energy, brainstorming and planning, follow-up actions, and directorate resources to help initiate and support greatly needed changes in the Logistics operations.

Management Oversight and Support Provided to Logistics: As ISS director in the past 2 ½ years, I have taken my responsibility for all ISS operations, *including Logistics*, very seriously and have labored diligently to redirect, strengthen and improve the entire Logistics operation. Described below are only some highlights of strong management support personally provided to Logistics in the past few years in order to improve operations and implement industry best practices:

1. In FY 2003, identified the need for the creation and development of detailed written Logistics Policies and Procedures to fully document all Logistics operations; developed a Statement of Work for these tasks, allocated ISS funding, and contracted with IBM Business Services for the work in the 4th quarter of FY 2003;
2. Supported and closely tracked warehouse efforts by the former warehouse supervisor in early FY04 to begin cleaning out old materials, unblock aisles to comply with OSHA and NFPA code fire and life safety requirements, and ensure that all materials were properly stored (out of aisles and points of egress) to meet safety requirements;
3. During early FY04, explored several potential alternatives for creating a full, detailed inventory of all material stored at the warehouse; personally drafted a written plan in early FY04 for creation of two ISS 2-person teams, using ISS staff from Logistics Property Control team and Facility Services/FD&C (because a large proportion of the materials stored at Landover consists of systems furniture, carpet, and other furnishings) to conduct a full warehouse inventory, and to maintain inventory currency; explored various options for creation of an ACCESS database for this purpose; supported ACCESS database training for these staff (*these efforts were later superceded by the Facility Services/FD&C preferred alternative of contracting with a furniture management services contractor, with expertise in systems furniture, to conduct and maintain a detailed inventory of all F&F materials at the warehouse - see #9 below*);
4. Supported hiring in June 2004 of a well-trained and experienced logistics expert as Acting

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- Assistant Head of Logistics to manage warehouse operations and strongly supported his immediate efforts to implement more efficient practices in warehouse management – conferring with Library customers for removal of old, outdated materials and re-designing service/support unit storage allocations for more efficient operations
5. Provided since mid-2004 funding from Directorate official resources for two additional contract warehouse workers to support Logistics management efforts to clean out obsolete and outdated materials from storage as well as rearrange the warehouse storage into more logical order.
 6. Supported (and funded) hiring under a consultant agreement the previous Assistant Logistics Head (after his 6/04 retirement) to provide team support and background information to the new Acting Assistant Head, who assumed the lead in cleaning out the warehouse and re-directing its operations; continued to fund extra assistance until well into 2005 when the project was largely completed
 7. Reviewed and personally tightened administrative controls for repair and processing of computers for the Computers for Learning program during 2004; discontinued the earlier practice by the former ISS IT specialist (GS-13) of taking a staff team out to Landover, working without supervision “on overtime” to scrub the used computers before donation; personally established detailed revised procedures for this work to be accomplished under tighter controls, during regular work hours, at the Madison Bldg in LM-SB25 by the ISS automation team (*former procedures lacked supervisory oversight*)
 8. Recognized the lack of control and reporting on the work related to the Computers for Learning program, and during FY04 developed a statistical reporting form and procedures for both Logistics and the ISS automation team to provide weekly and monthly reports that tracked and reported progress on the Computers for Learning Program (*no regular statistical or workload reporting existed prior to this*)
 9. Supported and funded efforts by Facility Services/Facility Design & Construction Office (FD&C) to establish a contract in 2004 with a furniture management services vendor for creating and maintaining a detailed automated inventory of all FD&C items stored in the Landover warehouse (over 40% of warehouse contents) using their specialized furniture and furnishings database for this inventory, in lieu of doing this work in-house (as explored earlier)
 10. Supported and funded the development during 2004 by 3 cross-cutting functional teams of 3 Logistics “Standards of Customer Service” to help ensure dependable provision of Logistics-related services to Library customers by defining performance measures
 11. Strongly supported and funded in mid-2004 a consultant contract with MicroSystems Automation Group to analyze Logistics warehouse operations and define functional requirements for acquisition of: (1) an automated warehouse management system (to improve warehouse management and inventory control) and (2) a fixed asset management system (for potential replacement of the IBCFACS system).
 12. Took action in 2004 to purchase the IntelliTrack warehouse management system software in order to significantly improve warehouse operations and create automated inventory control of materials stored
 13. Implemented a new annual management planning and reporting process for ISS divisions, **including Logistics**, covering all Logistics responsibilities and functions; assigned Logistics staff to track progress and provide quarterly reports on all assigned tasks; reviewed progress quarterly with Logistics supervisors (*no regular statistical or workload reporting for Logistics operations was in place prior to my assuming ISS management responsibilities*)
 14. In March 2005 officially delegated Chief of Office System Services (OSS) (as a trained logistics expert, a full Captain in the U.S. Navy Supply Corps who joined ISS staff in November 2003) to serve also as Acting Head of Logistics worked closely with him throughout the past year on a

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- wide variety of Logistics-related management issues and improvements to provide better and more direct management oversight to the whole Logistics operation;
15. In early 2005, after another personal review of the warehouse space utilization, recommended and funded construction of a locked wire cage for storage of electronic materials, including new and used computer equipment and peripherals.
 16. Supported before and after reports of thefts every suggestion made by the Acting Assistant Head of Logistics after his appointment in June 2004, and every recommendation made to ISS by the Office of Security and Emergency Preparedness (OSEP), for improved security measures in the Landover warehouse, and provided ISS funding whenever necessary.
 17. Supported changes and recommendations by the new Assistant Head of Logistics shortly after his appointment in 2004 related to tightening security in general in the warehouse operations, many of which were specifically geared to reduce the risk of employee misconduct (including possible theft), before the report of any specific thefts including:
 - recommended to OSEP the re-positioning of the security cameras to different angles to improve the span of the view;
 - moved some storage items that previously blocked camera views in order to provide a clearer view of the loading dock and truck loading operations;
 - moved smaller, more vulnerable electronics equipment into the locked vault area, including fax machines, sound equipment and the like;
 - requested from OSEP the installation of cameras in the second part of the warehouse (between aisles L and W) where there were none previously;
 - stopped the previous practice of having drivers pull materials from storage for loading into truck for delivery, in order to provide for more separation of duties and reduce the risk of employee malfeasance;
 - had drivers begin to report daily a delivery count of all pallets delivered to Library customers (no previous daily reports);
 - initiated the requirement for 2 people to sign for every "pull" (*i.e.* request for items for delivery to Library customers (no previous requirement for 2 signatures), and more.
 18. Took steps to ensure that all temporary employees and contractors in Logistics were referred to the Office of Personnel Security for background security checks.
 19. Developed and implemented annual training plans for all staff in all ISS divisions and offices, including Logistics.
 20. Supported and funded construction in 2005 of a chain link fence around the dumpster on the property to help tighten security in general.
 21. Continually urged that vacant Logistics supervisory positions be filled expeditiously; offered additional staff support to assist with the many steps necessary to accomplish this.
 22. Considered many issues throughout the past 2 ½ years related to the appropriate organization and management overview of Logistics operations within the current ISS organizational structure since it is no longer a part of Contracts and Logistics, (*e.g.* should it be created as a separate division, or continue as a section within a larger ISS division; if the latter, which ISS division is best suited to provide the proper oversight? How should Logistics be structured and staffed for maximum efficiency and effectiveness?)

Recommendation: Based on this summary of dedicated ISS management oversight and significant actions taken during the past 2 ½ years, ISS requests that the IG's draft audit report be amended to reflect the significant ISS management oversight, dedication and direction provided by current ISS management to the Logistics operations and improved security at the Landover warehouse.

UNITED STATES GOVERNMENT

MEMORANDUM

LIBRARY OF CONGRESS

Office of Security and Emergency Preparedness

TO : Karl W. Schornagel
Inspector General

DATE: March 16, 2006

FROM : Kenneth E. Lopez *K.E. Lopez*
Director, Office of Security and Emergency Preparedness

SUBJECT : Response to Draft Attestation Report No. 2005-AT-904

As requested, attached are the Office of Security and Emergency Preparedness (OSEP) responses to Recommendation Nos. 7, 8, and 9.

OSEP will coordinate with the Acting Logistics Section Head concerning implementation of Recommendation No. 10.

cc: Mary Levering, Director, ISS
Jim Schenkel, OSEP, Protective Services

OSEP Responses to Recommendation Numbers 7,8, and 9

Recommendations

7. Post a check sheet at several strategic points in the warehouse. The contract guard should initial and post the date and time for each inspection.

Response: Agree. Post orders for the Library Security Officers (LSOs) will be amended.

8. Consider the additional cost of assigning inspection duties to the guards at the main door.

Response: Agree to consider. OSEP will continue working with the ISS facility manager, other Library senior staff, and Securiguard's project manager to define operational requirements. Once consensus is reached, OSEP will identify additional resources required to conduct effective exit inspections through the budget justification process.

9. Consider the feasibility of conducting random inspections of vehicles. This will require negotiations with the unions.

Response: Agree to consider. OSEP will coordinate this proposal with the Office of the General Counsel, Human Resource's Office of Workforce Management, and the CEO of Securiguard.