

The Library of Congress  
*Office of the Inspector General*

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*Office of Operations  
Management and Training*

*The Management Control Program:  
Enhances Internal Controls but  
Significant Improvements are Needed*

Audit Report No. 2004-PA-106/March 2006





UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS

**Memorandum**

*Office of the Inspector General*

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

March 13, 2006

Terry Bickham, Director  
Office of Operations Management and Training

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

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

**SUBJECT:** Audit of the Management Control Program

This transmits our final report on the Library of Congress Management Control Program prepared by the Office of the Inspector General. The Executive Summary begins on page *i*, and complete findings and recommendations appear on pages 7 to 16. Recommendations I-V apply to the Office of Operations Management and Training; recommendation V also applies to the Office of the Librarian.

The Office of Operations Management and Training (OM&T) response to our draft report is briefly summarized in the Executive Summary and in more detail after individual recommendations appearing on pages 8 to 16. The complete response is included as Appendix B.

Based on OM&T's response to the draft report, we consider all of the recommendations except V.2 resolved. We did not receive a response from the Librarian. Accordingly, the Librarian's action plan should address recommendation V.2 in accordance with LCR 1519-1, Section 4.B.

We appreciate the cooperation and courtesies extended by the Management Control Program staff during the audit.

cc: Deputy Librarian of Congress

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## ▶▶ EXECUTIVE SUMMARY

As the Library strives to accomplish its mission to make its resources available to the Congress and the American people, it remains cognizant of the need to preserve its priceless assets. Doing so requires (a) compliance with laws, rules, and regulations, (b) ensuring that assets are safeguarded, (c) properly accounting for revenues and expenditures, and that (d) program activities are carried out in the best way possible. These four requirements make up the mission of the Library's Management Control Program ("MCP" or the "Program"). In a nutshell, the MCP seeks to make sure the Library accomplishes its mission in the best possible way while following the rules.

### *results in brief:*

*The MCP works, but needs improvement:*

- *a better way to identify issues*
- *an automated system: now in the works*
- *verification reviews: are these corrective actions really being implemented?*
- *better communications: policies and procedures, and better training outreach*
- *timely corrections: if corrective actions can't be undertaken on a timely basis, top management needs to know about – and authorize – the delay*

We performed an audit of the Program. Our objectives were to determine the Program's value and the effect its findings have had on the Library's resources. We compared the Program's benefits to its costs, reviewed MCP reports and documentation, assessed staff training, and conducted interviews with key personnel throughout the Library.

Overall, we determined that the Program is valuable to the Library. The Program's benefits, namely, the identification and correction of control weaknesses, outweigh its costs. At the same time, we believe some significant improvements are needed. Process revisions, program automation, implementation of verification reviews, written policies and procedures, better communication of available MCP training, and a faster implementation of corrective actions would substantially improve the Program.

The Office of Operations Management and Training concurred with our findings and recommendations. Its response is included as Appendix B.

Following is a summary of our findings and recommendations.

*The MCP Process Should Be Revised to Better Identify Control Weaknesses*

Managers are allowed broad discretion in determining the design and adequacy of their management control systems, and the level of risk they are willing to accept. Furthermore, the entire process is based on managerial self-assessments. We found that the current MCP process fails to identify a significant number of control weaknesses and deficiencies. We recommend revising the process by requiring textual comments, which will make the process more effective at recognizing internal control issues.

*The Program Should Implement an Automated System*

The Program uses an outdated manual method to collect and record data from over 200 reporting units. The system is time consuming, not only for reporting users, but also for the Program administrator (the "Administrator"), who must manually compile and analyze the data or manually populate computerized spreadsheets. This inefficient, time-consuming process results in transcription errors and omissions in the tracking of findings and corrective actions. More importantly, the process fails to address a significant issue: the lack of correlation and cross-referencing between MCP findings and the findings of auditors, such as the Office of the Inspector General, the General Accountability Office, and the Financial Statement auditors. As a result, the MCP does not detect many significant deficiencies reported by other sources. The Library should provide resources to enable this automated system.

*The Program Should Implement Verification Reviews*

A key step in assessing the effectiveness of the Program is the tracking and verification of the implementation of corrective actions. Without verifying, at least on a sample basis, this implementation, the Administrator cannot positively assert to senior management that the Program is achieving its goals. We recommend that a process be put in place to evaluate the promptness, quality, and comprehensiveness of corrections.

*The Program's Communications Mechanism Should Be Improved*

This finding has two aspects; first, internal communications. The Program does not have a documented set of policies and procedures. The MCP administrator changes from time to time (there have been two changes in the last three years). Documented procedures facilitate a proper transition by providing a guide to the new Administrator's duties. Therefore, we recommend that the Program develop, document, and periodically update a set of policies and procedures. The second aspect of our finding concerns external communications. We found that the Program is not adequately communicating to its users the availability of training. Without training, it is not possible for users to make educated judgments when reporting to the MCP. We recommend that the Program devise a mechanism to more effectively communicate training opportunities to its users.

*The MCP Administrator Should Report Implementation Delays to the Librarian*

The resolution of findings and the implementation of corrective actions are not being acted on timely. At the close of fiscal 2004, there were 222 findings open from prior fiscal years. Almost 50 percent of prior findings had been open for two years or more. The enforcement mechanism for implementing corrective actions is weak. The resolution of internal control deficiencies is a very important aspect of the MCP process. Managers should promptly evaluate and determine proper actions in response to known deficiencies, reported findings, and related recommendations. We recommend that the MCP administrator provide quarterly reports, inclusive of any program and corrective action delays to the Librarian. We also recommend that an independent determination be made as to whether delays are justified.

## ▶▶ INTRODUCTION

*Mindful of public allegations of poor financial and program controls, Congress created several programs aimed at improving controls in governmental agencies*

Mindful of public allegations of poor financial and program controls within Federal government programs, Congress, in 1982, enacted the Federal Managers' Financial Integrity Act (FMFIA), and in 1996, the Federal Financial Management Improvement Act, (FFMIA). These programs aimed to improve financial and programmatic controls by establishing a periodic review process to assess and report deficiencies to the highest levels of government, including the President. Later, the Chief Financial Officers Act and the Government Performance and Results Act further reinforced the need for effective management controls. These Acts also called for the development of program performance indicators to monitor management's success in reaching program goals and desired outcomes.

The Library, as a legislative branch agency, is not required to comply with these Acts. Notwithstanding this fact, the Library, in 1998, adopted their spirit, and created the Internal Controls Audit Committee (ICAC), changed in 1999 to the Management Control Program Committee.

Materials derived from the FMFIA, as well as the Office of Management and Budget's Circulars A-123 (OMB Circular A-123), *Accountability and Control Management*, A-50, *Audit Follow-up*, and the Inspector General Act of 1978, with 1988 and 1998 amendments, provide guidance to the Library's Management Control Program ("MCP" or sometimes, the "Program"). These materials require Executive agency heads to conduct an ongoing review of controls and to report annually on the adequacy of agency management and accounting control systems. Under the FFMIA, managers are tasked with increasing the accountability and credibility of federal financial management, and improving its performance, productivity, and efficiency.

Library of Congress Regulation (LCR) 1510, *Financial Services and Management Control Program*, governs the operation of the MCP. Financial Services Directive 00-02, *Financial Services and the Management Control Program* provides specific guidance

and instructions. The aim of the program is to assist program managers in achieving desired results through effective stewardship of public resources – namely, by improving internal controls. Strong and effective internal controls should apply to all operations: program, financial, and compliance.

The MCP has changed since its inception. The Program was originally formed to develop and implement a process for evaluating the functionality and adequacy of the Library's system of management controls. The Library expanded on the then-limited control review process for financial systems. In September 1999, the Library's Executive Committee (EC) approved the ICAC's design and implementation plan for the MCP. The ICAC was then formally changed to the "Management Control Program Committee." The Office of Planning, Management, and Evaluation, within the Financial Services Directorate<sup>1</sup> was tasked with the administration of the Program. In January 2003, a realignment of the Deputy Librarian's office moved the administration of the MCP from the Financial Services Directorate to the Operations Management and Training Directorate (OM&T).

For administrative purposes, the MCP divides the Library into "accountable units," each of which represents a service or support unit. An "Accountable Official" (AO) manages each accountable unit and is responsible for ensuring compliance with management control standards. Accountable units are further divided into "module units," each of which represents a specific activity. A "Module Official" (MO) is responsible for the assessment and review of that module unit. For example, an MO may have operational responsibilities for safety, purchase cards, financial reporting, training, administration, payroll processing, or other specific activities.

An OM&T management analyst, the "Administrator," executes and monitors the program with assistance in the service and infrastructure units from coordinators,

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<sup>1</sup> The Financial Services Directorate is now the Office of the Chief Financial Officer.

*One of the biggest challenges in implementing a set of internal controls in non-financial environments is the weak association between internal controls and mission-related program outcomes.*

accountable officials, module officials, and the MCP chair.<sup>2</sup> OM&T serves as a repository for managerial self-assessments: Vulnerability Assessments (VAs) and Detailed Control Reviews (DCRs). The VA is a manager's self-assessment of internal controls within a given program. The DCR is a more detailed and comprehensive review of internal controls. Reporting units complete a VA once a year. The risk level identified in the VA determines the frequency for performing a DCR. Programs self-assessing as high risk must complete a DCR in the same reporting period. Programs self-assessing as moderate risk, every three years, and low, every five years.<sup>3</sup> The DCR is intended to reveal control deficiencies on a more detailed basis than the VA, and for every deficiency identified in a DCR, managers must develop a corresponding Corrective Action Plan (CAP). At the end of the MCP cycle, the Accountable Official signs a Management Control Review Memorandum (MCRM)<sup>4</sup> and forwards it to the Deputy Librarian via the Administrator.

One of the biggest challenges in implementing a set of internal controls in non-financial environments is the weak association between internal controls and mission-related program outcomes. Managers often have been unable to grasp the relationship between internal controls and their program's mission. As a result, internal controls are often difficult to implement. The MCP is a means for facilitating change because it teaches managers what internal controls mean in non-financial environments.

The MCP is, all at once, a conceptual framework for controls, a resolution process, a mechanism for effecting positive change in high-risk areas, feedback to upper management, and a means to business process change. Module Officials working as a group reported being better able to grasp internal controls

<sup>2</sup> The Deputy Librarian appoints an Accountable Official as a Chairperson to provide policy direction and oversight of the Program. The appointment is a one year renewable term.

<sup>3</sup> DCRs on low risk modules are only required when the level of risk increases or the module mission, processes, and/or activities change.

<sup>4</sup> An MCRM is an annual memorandum to the Deputy Librarian via the MCP, from the applicable Accountable Official detailing the results of the vulnerability assessments, verification reviews, corrective action plans, and detailed management control reviews (LCR 1510 Section 7: Reports).

of their module unit in relation to their broader accountable unit. Information sharing as a result of group management

Management Control Program Annual Cost		
Personnel	Est. Hours	Cost
Accountable Officials	122	\$9,000
Module Officials	631	42,000
Chair & Coordinators	1,346	62,000
Administrator & Assistant <sup>5</sup>	1,806	79,000
<b>Sub-Total</b>	3,905	192,000
<b>Benefits Rate</b>		x 28%
<b>Benefits</b>		54,000
<b>Total</b>	3,905	\$246,000 <sup>6</sup>

discussions also resulted in efficiencies in improving controls.

The Program develops, establishes, assesses, corrects, improves, and reports on internal control systems. As a result, the Program helps mitigate the risk of fraud, waste, mismanagement, and

misappropriation of funds. The Program encourages Library managers to take proactive measures to develop and implement appropriate, cost-effective management controls.

We calculated the cost of the Program, including permanent Program staff and an estimate of time spent by coordinators and other personnel (not including the time spent correcting deficiencies) to be approximately \$246,000.<sup>7</sup> We believe this cost is minimal in comparison to the intangible benefits derived by the Library through better awareness and improvement in internal controls.

*We believe the cost of the Program is minimal in comparison to the intangible benefits derived by the Library*

This report presents the results of our audit of the Program.

<sup>5</sup> The "Assistant," an OM&T Management Analyst, provided temporary assistance to the MCP Administrator.

<sup>6</sup> Figures rounded to the nearest thousand.

<sup>7</sup> Library personnel involved with MCP activities provided an annual estimate of program hours and the Library's Human Resources Services Office provided annual personnel salary data.

## ▶▶ OBJECTIVES, SCOPE, AND METHODOLOGY

Our overall objective was to determine whether or not the MCP is effective and efficient. Specifically, we evaluated the program’s value in relation to its cost, assessed whether program findings have had a significant effect on the management of Library resources, and considered possible enhancements.

We performed our fieldwork from June 24, 2004 to August 4, 2005. Breaks in our fieldwork were due to other assignments. All audit work was conducted at the Library of Congress’ Capitol Hill complex. Our audit procedures included interviewing MCP personnel: administrator, chair, module officials, and coordinators. We interviewed MCP managers at other agencies: the National Institutes of Health, the Department of the Interior, the Department of Treasury, and the Government Accountability Office. These interviews helped provide us with a reference for best practices. The scope of our audit included source documents from all reporting units covering the past three fiscal years.

We took a random sample of the vulnerability assessments and detailed control reviews, using standard statistical sampling methodology. To help us in this task, we used the EZ-Quant Statistical random sampling module developed by the Defense Contract Audit Agency.<sup>8</sup>

<sup>8</sup> We constructed our samples using standard statistical sampling software as follows:

Vulnerability Assessments			
Fiscal Year	Universe	Confidence Interval	Sample Size
2002	165	85%	24
2003	172	85%	24
2004	204	85%	25

  

Detailed Control Reviews			
Fiscal Year	Universe	Confidence Interval	Sample Size
2002	58	96%	45
2003	68	96%	45
2004	59	96%	45

In addition, we compared the Library's assessment tools to comparable tools from other agencies, such as the National Institutes of Health, the Department of Treasury, and the Department of the Interior.

We conducted this audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States, and with LCR 1519.1, *Audits and Reviews by the Office of the Inspector General*.

## ▶▶ FINDINGS AND RECOMMENDATIONS

*The Management Control Program provides a self-assessing mechanism for Library managers to identify and correct internal control weaknesses*

The Management Control Program provides a self-assessing mechanism for Library managers to identify and correct internal control weaknesses. Because the Program involves manually processing information, the Administrator spends unnecessary time tracking and correlating manager responses. This can result in missed control weaknesses and the failure to implement corrective actions. Revising and automating the process could improve the Program.

Other areas in need of change are the following:

- a verification review process needs to be instituted;
- policies and procedures need to be documented;
- the MCP Administrator needs to better communicate the availability of training for MCP personnel; and
- the Librarian must be notified when corrective actions are substantially delayed.

Our recommendations will strengthen the Program.

### I. The MCP Process Should Be Revised to Better Identify Control Weaknesses

The MCP process does not consistently identify the control weaknesses that it is designed to detect. There is a two-fold problem with the process. First, the self-assessment tools, the VA and DCR, consist of a series of multiple-choice checkboxes. Module Officials simply check a box and are not required to justify their self-rating. The MOs may add comments or provide clarifying and validating documentation, but in our review of fiscal year 2002, 2003, and 2004 VAs, the MOs only used the comments section in 17, 60, and 59 percent of their responses, respectively.

Because of the lack of written comments, the Administrator cannot always determine the validity of the responses. In those instances, the Administrator should, in theory, contact the Coordinator associated with that module. Unclear responses that the Administrator accepts as valid can lead to undetected control weaknesses. This occurred, for example,

with the Administrator's acceptance of a 2003 DCR that did not contain clarifying information. External auditors discovered a control weakness in a later review of the same functional area.<sup>9</sup>

*The MCP process does not consistently identify the control weaknesses that it is designed to detect*

Second, the process allows managers to under-report deficiencies. Our sample results indicated a 35, 19, and 9 percent under-reporting of deficiencies for fiscal years 2002, 2003, and 2004 respectively. This is based on our analysis of managers' responses to detailed control reviews. In these instances, management did not report all deficiencies linked to controls assessed as inadequate, and did not provide related corrective action plans (CAPs). The Administrator did not notice these omissions. There is a need for the Administrator to more closely monitor the review process and check for the inclusion of CAPs associated with controls identified as non-functioning or inadequate. The current MCP process tools are not sufficiently identifying management risks.

The GAO's *Internal Control Management and Evaluation Tool*, (GAO-01-1008G), August 2001, states that "management [should] comprehensively identif[y] risk using various methodologies as appropriate."

**Recommendation:**

We recommend that the Director, OM&T revise the MCP process to require a justification for each response and consider making textual comment fields mandatory.

**Management Response:**

OM&T concurs, and pending availability of staff resources, plans to include revised procedures in the Program Directive for the 2007 program cycle.

<sup>9</sup> The external auditors contracted to conduct a financial statements audit found that the Library was not performing and completing monthly cash reconciliations on a timely basis.

## II. The MCP Needs to Implement an Automated System

*The MCP process is manual and generates a lot of paper*

In FY 2004, 215 vulnerability assessments and 56 detailed control reviews/front-end analyses,<sup>10</sup> were conducted. The Administrator reviewed 271 forms for completeness, and checked for the receipt of CAPs and MCRMs related to all of these. The MCP process is manual and generates a lot of paper.

### A. The MCP Administrator Should Automate the Process

The Administrator relies on a manual system. Because there is no automated database of VAs, DCRs, CAPs, and other important documents, the Administrator must search paper files, Excel spreadsheets, and rely on former Administrators' memories to fill in the gaps. The *Internal Control Management and Evaluation Tool* (GAO-01-1008G), August 2001, considers it important that information systems are in place to identify and record pertinent operational and financial information relating to internal and external events. The former Administrators knew an automated process was needed, but were not able to develop and implement a system, mainly because they were occupied with developing Library-wide assessments and reviews that evolved from a program of limited control reviews. The subsequent changes in the management of the program, in both fiscal 2004 and 2005, continued to cause delays in the implementation of an automated system.

The Administrator spends valuable time assessing and requesting additional information from respondents of the self-assessments and reviews. Gathering information from assessments, reviews, and emails has resulted in inaccurate statistical reporting.

### B. The Program Should Implement a Consolidated Tracking System for Findings

"A significant component of the MCP is the process of tracking 'open' findings and deficiencies identified during

<sup>10</sup> Front-end: the first structured internal control review of a proposed, new, reorganized, or unimplemented program, function, or activity.

previous year detailed reviews as well as findings from other audits and reviews (e.g., Inspector General audits)."<sup>11</sup>

We found inconsistencies and omissions in our sample of external audit findings as compared to the MCP findings. These occurred when management officials did not report relevant information on the MCP evaluation tools until the external auditors identified deficiencies in the course of their audits. One Module Official reported to the external auditors that management had not implemented corrective actions because of insufficient staff. However, the same MO indicated sufficient staffing levels on the corresponding VA. In another case, a MO reported having a procedures manual. In the same period, the external auditors reported that no procedures manual existed for that module unit.

*We found inconsistencies and omissions in our sample of external audit findings as compared to the MCP findings*

The MCP is the Library's mechanism for monitoring and reviewing operations and programs, but the process is inadequate and results in little correlation between the VAs, DCRs, and external audit findings. When we compared module unit assessments and reviews to the FY 2003 and 2004 Financial Statements audit management letter findings, only three of twenty-two documented responses correlated. Lacking an automated tracking system, the Administrator relies on an inefficient method of tracking open/closed findings, the associated corrective actions, and correlating MCP findings to external audit findings.

The GAO's *Internal Control Management and Evaluation Tool*, (GAO-01-1008G), August 2001, states that "within the agency, there are mechanisms in place to monitor and review operations and programs."

**Recommendation:**

We recommend that the Director, OM&T automate the MCP process. In designing an automated system, the Director should place a high priority on the following capabilities:

<sup>11</sup> Library of Congress Management Control Program FY 2004 Report on Management Controls, May 2005, p. 6.

- cross-referencing MCP findings to external findings,
- verifying operational responses from different organizational units, and
- tracking the implementation of corrective actions.

Until an automated system with these capabilities is implemented, MCP staff should manually cross-reference MCP to external findings. The Library should make funding and other resources available for this purpose.

**Management Response:**

OM&T concurs in principle; implementation of an automated system will hinge on the availability of funds and staffing resources.

**III. Verification Reviews Should Be Implemented**

Properly performed, Vulnerability Assessments and Detailed Control Reviews can be good indicators of control weaknesses. In the end, however, the Program is only as good as its success in implementing corrective actions. Accountable officials provide the Administrator with the MCRM and written responses to inquiries as proof of implementation of corrective actions. The MCRM and the written responses were considered sufficient until the external auditors noted in a FY 2001 management letter finding that the Library was not conducting verification reviews.

*The Program is only as good as its success in implementing corrective actions*

The opportunity for improving managerial controls is undermined when verification reviews are not performed. This process should include evaluating the extent to which findings are resolved and an assessment of any compensating controls. Any evaluation of corrective actions must include tests to determine the extent to which claimed corrective actions have, in fact, been implemented. The Administrator knows that verification reviews are needed, and has decided to delay implementation of a verification review program until the release of this audit report, so as to ensure that the new process would conform to our recommendation.

The GAO's *Internal Control Management and Evaluation Tool*, (GAO-01-1008G), August 2001, states that procedures should be in place to ensure that the findings of all audits and other reviews are promptly evaluated, decisions are made about the appropriate response, and timely corrective actions are taken.

**Recommendations:**

We recommend that the Director, OM&T:

- A. Implement a verification review process. Consideration should be given to forming a verification review panel, independent of the module unit, and preferably, the accountable unit of review, and establishing a timeframe for conducting a review. This panel should have the ability to report implementation issues directly to the Librarian.
- B. Require documentary or other positive evidence of implemented corrective actions for the review process. Compensating controls or modifications to the original corrective actions should be documented as well.

**Management Response:**

OM&T concurs and proposes to contract with an external vendor to conduct these reviews.

**IV. The MCP Communications Mechanism Should Be Improved**

*Communication among the Administrator, the Coordinators, and other officials is key to the success of the MCP*

Communication among the Administrator, the Coordinators, and other officials is key to the success of the MCP. The Coordinators are the liaison between the Administrator and the Module and Accountable Officials. The Administrator meets quarterly with the Coordinators, informs them of incomplete or inadequate assessments and reviews, and provides training. The Coordinators provide assistance to the MOs and AOs by examining the assessment and review responses before forwarding the completed reports to the Administrator. In our audit survey, 82 percent of the Coordinators reviewed the assessments and reviews of their accountable unit before forwarding them to the Administrator. Seventy-three percent of the Coordinators reported meeting with their AO prior to the AO's certification of the assessments

and reviews. Notwithstanding this, there are gaps in the communications structure of the Program, both internal and external.

*A. A Policies and Procedures Manual Is Needed*

The MCP does not have documented policies and procedures. Documentation could have eased the last two Administrators' transitions into their position. Since the creation of this position in 1999, there have been three different Administrators. Policies and procedures would have provided the Administrators with guidance in their role and interactions with other program personnel such as Coordinators, Accountable Officials, and Module Officials.

Office policies and procedures would result in better communication about the MCP administrator's role and authority. Without written policies and procedures, program personnel act on implied authority without conferring with the Administrator. We found, for example, that one Module Official deleted three important controls without consulting the Administrator. Although the Administrator said the program is designed to give flexibility, the MO should nonetheless have consulted with the Administrator before deleting the controls.

Similarly, LCR 1510, *Financial Services and Management Control Program*, and Financial Services Directive 00-02 (the "Directive") need revision.<sup>12</sup> Both the LCR and the Directive list incorrect and outdated information; furthermore, neither the LCR nor Directive provide day-to-day operational guidance.

The GAO's *Internal Control Management and Evaluation Tool*, (GAO-01-1008G), August 2001, states that management should use effective communications methods, which may include policy and procedures manuals, management directives, and memoranda.

*The MCP does not have documented policies and procedures*

<sup>12</sup> The update to the LCR was delayed pending this audit.

**Recommendation:**

We recommend that the Director, OM&T prepare a written policies and procedures manual that clearly delineates the responsibilities of all MCP parties.

**Management Response:**

OM&T concurs. A draft policies and procedures manual has been written. A draft of the revised version should be ready by June 2006.

*B. The Administrator Should Inform Program Participants of Available Training*

Each fiscal year the Administrator sets up training as needed and conducts a general class on vulnerability assessments. However, not all MCP personnel receive the necessary training to optimally fulfill their duties.

The MCP administrator relies on the Coordinators to communicate the MCP officials' training needs. Some Coordinators are misinformed about the training schedule, believing that training is only once a year. They are unaware that the Administrator will provide training and refresher courses as needed.

Without proper training and refresher courses, MCP-responsible personnel cannot fully understand principles underlying internal controls, thereby weakening the program's effectiveness and efficiency. This results in the program lacking the philosophy and operating style that is appropriate to the development and maintenance of effective internal controls. One Coordinator reported that before the accountable unit's group training, the MOs viewed the MCP process as a "paper exercise." After the training, the Coordinator remarked that the MOs not only understood the process better, but that the training sharpened their awareness of internal controls.

The GAO's *Internal Control Management and Evaluation Tool*, (GAO-01-1008G), August 2001, states that "there should be an appropriate training program to meet the needs of all employees."

*Without proper training and refresher courses, MCP-responsible personnel cannot fully understand principles underlying internal controls, thereby weakening the program's effectiveness and efficiency*

**Recommendations:**

We recommend that the Director, OM&T:

1. Periodically send reminders and notices to all Coordinators about available training.
2. Offer refresher courses with an emphasis on the value of the training.
3. Issue a policy stating training is mandatory for all staff before conducting any MCP related activities.

**Management Response:**

OM&T concurs. Training has been expanded and will be coordinated with the Library's Online Learning Center.

**V. The MCP Administrator Should Report Implementation Delays to the Librarian**

*There is no structure to enforce the implementation of corrective actions or compensating controls*

The MCP reporting mechanism does not effectively resolve findings and execute the implementation of corrective actions. As of September 30, 2004, there were 371 open findings, 222 of which were from prior fiscal years. Forty-six percent of prior findings were open for more than two years.

When it is not possible to implement a corrective action due to budgetary constraints, re-engineering, realignment, reorganization, insufficient staffing, unacceptable technology, or other factors, compensating controls should be instituted. In our sample of open findings, one module unit had not resolved or instituted compensating controls for seven findings from the fiscal 2001 and 2002 reviews.

The internal control weaknesses revealed by the MCP are not being timely addressed, thus undermining the effectiveness and efficiency of the program. There is no structure to enforce the implementation of corrective actions or compensating controls. The Deputy Librarian is responsible for resolving any issues related to the MCP. The EC has the power to enforce implementation of corrective actions.<sup>13</sup> However, with

<sup>13</sup> "The Librarian of Congress and the Executive Committee will ensure that the Library's ...management control activities are conducted in an efficient

the exception of the Librarian, all members of the EC are Accountable Officials, thus inserting an inherent conflict of interest into the enforcement process.

At other agencies, such as the National Institutes of Health and the Department of the Interior, an authority above the MCP manager intercedes in the resolution process, or senior managers have to defend a failure to implement corrective actions. Senior management performance evaluations at these agencies are based in part on their response to control weaknesses.

The GAO's *Internal Control Management and Evaluation Tool*, (GAO-01-1008G), August 2001, states that management should ensure that effective internal communications occur and the agency take appropriate follow-up actions with regard to findings and recommendations for audits and other reviews.

#### **Recommendations:**

We recommend that the Librarian and the Director, OM&T make changes in the Library of Congress regulation to require the following:

1. The Director, OM&T should provide quarterly reports, inclusive of any program and corrective action delays, to the Librarian.
2. The Librarian and a panel composed of top management should independently determine whether delays in implementing corrective actions are justifiable.

#### **Management Response:**

OM&T concurs in principle, and is developing quarterly progress reports and a system to reflect the implementation progress of corrective actions.

We did not receive a response from the Office of the Librarian on this recommendation.

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and effective manner and in accordance with the law." (LCR 1510, Section 6: Responsibilities)

## ►► CONCLUSION

*The MCP's most valuable contribution to the Library is its effectiveness in teaching managers how to assess their control environments and how to tie their mission-related results to an internal control structure*

Internal controls are often difficult to implement when managers do not understand the relationship between controls and operating results. The MCP's most valuable contribution to the Library is its effectiveness in teaching managers how to assess their control environments and how to tie their mission-related results to an internal control structure. Although the Program's benefits are not quantifiable in dollars, its cost is minimal in comparison to the increased awareness and enhanced cooperation among managers.

In general, the MCP is valuable in providing a Library-wide platform for citing common areas of control weaknesses, such as the lack of measurable performance standards and plans; key supervisory, managerial, and staff position vacancies; and validation and timeliness of reports, among others.

Overall, our audit found that the MCP provides a valuable service to the Library. We have made recommendations for more timely resolution of deficiencies, process revisions, and automating the process. All of these recommendations, and, in particular, improving the ability of the MCP to cross-reference and correlate its own findings to those of external audit entities, as well as a better ability to track and monitor the implementation of corrective actions, will substantially improve the MCP.

### Major Contributors to This Report

Nicholas G. Christopher, Assistant Inspector General  
Cornelia E. Jones, Auditor

## ▶▶ **APPENDIX A: ACRONYMS USED IN THIS REPORT**

<b>AO</b>	Accountable Official
<b>CAP</b>	Corrective Action Plan
<b>DCR</b>	Detailed Control Review
<b>EC</b>	Executive Committee
<b>FFMIA</b>	Federal Financial Management Improvement Act
<b>FMFIA</b>	Federal Managers' Financial Integrity Act
<b>FY</b>	Fiscal Year
<b>GAO</b>	General Accountability Office
<b>ICAC</b>	Internal Controls Audit Committee
<b>IG</b>	Inspector General
<b>IT</b>	Information Technology
<b>LCR</b>	Library of Congress Regulations
<b>MCP</b>	Management Control Program
<b>MCRM</b>	Management Control Review Memorandum
<b>MO</b>	Module Official
<b>OIG</b>	Office of the Inspector General
<b>OMB</b>	Office of Management and Budget
<b>OM&amp;T</b>	Operations Management and Training Directorate
<b>PMED</b>	Planning, Management, and Evaluation Directorate
<b>VA</b>	Vulnerability Assessment

⊙ APPENDIX B: OPERATIONS MANAGEMENT AND TRAINING RESPONSE

UNITED STATES GOVERNMENT

**Memorandum**

*Operations Management & Training  
The Library of Congress*

DATE: February 22, 2006

TO: Karl Schornagel,  
Inspector General

FROM: Terry Bickham,  
Director, Operations Management & Training

SUBJECT: *Response to IG Draft Audit Report - The Management Control Program:  
Enhances Internal Controls but Significant Improvements are Needed (Audit No. 2004-PA-106)*

This memorandum is to communicate our response to the IG Draft Audit Report recommendations regarding the Management Control Program (MCP). Our highest priority for the program is to reexamine the entire control process with the purpose of identifying ways in which we could make the program more effective. Our review of best practices at various federal agencies and your recommendations will serve as the foundation for the implementation of program improvements. Pending availability of funding and staffing resources, I anticipate having the initiatives indicated below in place by the end of fiscal year 2007.

To help ensure continuity in the program during this important effort, we will recommend that the current Chair of the program, Mary Levering, remain in her post until all deliverables for program improvement (MCP Improvement Proposal, automation, and a policies and procedures manual) have been approved and implemented.

The following responses to your audit recommendations were developed in cooperation with the Chair of the Program:

**Section I**

***The MCP Processes Should be Revised to Better Identify Control Weaknesses***

**Recommendation:**

**Revise the process to require justifications for each response and consider making textual comment fields mandatory.**

**Concur.** The revised LCR and corresponding Directive will drive the development of new risk assessment evaluations (Vulnerability Assessment and Detailed Control Reviews). These evaluations will require text field completion for all areas that are applicable to the organization conducting the self-assessment. The proposed changes to the evaluations will be drafted by a workgroup comprised of members of the MCP Committee and the Inspector General's Office. Pending availability of staff resources, our goal is to have revised procedures included in the Program Directive for the 2007 program cycle. In the meantime, we will communicate and ensure compliance with current response requirements for this year's Detailed Control Review cycle.

## **Section II**

### ***The MCP Needs to Implement an Automated System***

#### **Recommendation:**

- A. The MCP Administrator Should Automate the Process**
- B. The Program Should Implement a Consolidated Tracking System for Findings.**

#### **Priority to be placed on the following capabilities:**

- Cross-referencing MCP findings to external findings**
- Verifying operational responses from different organizational units**
- Tracking the implementation of Corrective Actions**

**Until an automated system with these capabilities is implemented, MCP staff should manually cross-reference MCP to external findings. The Library should make funding and other resources available for this purpose.**

**Concur in Principle.** Automation of the program will facilitate record keeping, tracking, and improve the efficiency of internal reporting. Pending availability of funds and staffing resources, we expect to begin the identification of technical requirements for automation during calendar year 2006. We will also identify and implement any necessary process changes to the program. To ensure all Library organizations have input into the change process, we will be working closely with MCP Committee members.

## **Section III**

### ***Verification Reviews Should be Implemented***

#### **Recommendations:**

- Implement a verification review process. Considerations should be given to forming a verification review panel, independent of the module unit, and preferably, the accountable unit of review, and establishing a timeframe for conducting a review. This panel should have the ability to report implementation issues directly to the Librarian.**
- Require documentary or other positive evidence of implemented corrective actions for the review process. Compensating controls or modifications to the original corrective actions should be documented as well.**

**Concur.** While most Library organizations take great care in identifying and correcting deficiencies, a formal verification process would greatly contribute to the effectiveness of the program. To satisfy verification review requirements, I will propose to the MCP Committee that we contract a qualified external vendor to conduct reviews of the program. However, funds for such a program will need to be identified.

Details regarding frequency and implementation of verification standards will be drafted with guidance from the MCP Committee and senior management.

## **Section IV**

### ***The MCP Communications Mechanism Should be Improved***

#### **Recommendations:**

**A. Policies and Procedures Manual is Needed**

- ❑ **The Director, OMT should prepare a written policies and procedures manual that clearly delineates the responsibilities of all MCP parties.**

**B. The Administrator should Inform Program Participants of Available Training**

- ❑ **Reminders and notices should be periodically sent to all Coordinators about available training.**
- ❑ **Refresher courses should be offered with an emphasis on the value of the training.**

**Concur.** We currently have a draft policies and procedures manual that will be revised and completed based on any restructuring process changes. Once all changes are approved and implemented we will revise the manual and present it to the Committee. We expect to have a draft by June 2006.

MCP Training has been expanded and will be effectively coordinated in the future using the Library's Online Learning Center.

**Section V**

***The MCP Administrator Should Report Implementation Delays to the Librarian***

**Recommendations – LCR should require the following:**

- ❑ **The Director, OMT should provide quarterly reports, inclusive of any program and corrective action delays to the Librarian.**
- ❑ **The Librarian and a panel composed of top management should independently determine whether delays in implementing corrective actions are justifiable.**

**Concur in Principle.** We will work to develop appropriate MCP program metrics and incorporate them into regular management reports that are being developed for senior leadership, including quarterly progress reports, as suggested by the IG Audit Report. This will ensure increased visibility of the status of corrective actions. Our recommendations for improvement of the program will include the establishment of compensating controls when it is not feasible to institute corrective actions.

To determine whether delays in implementing corrective actions are justifiable, we will develop program requirements for reporting that will reflect progress taken toward implementation of corrective action plans.

Copy to:  
Donald Scott  
Jo Ann Jenkins  
Mary Levering