

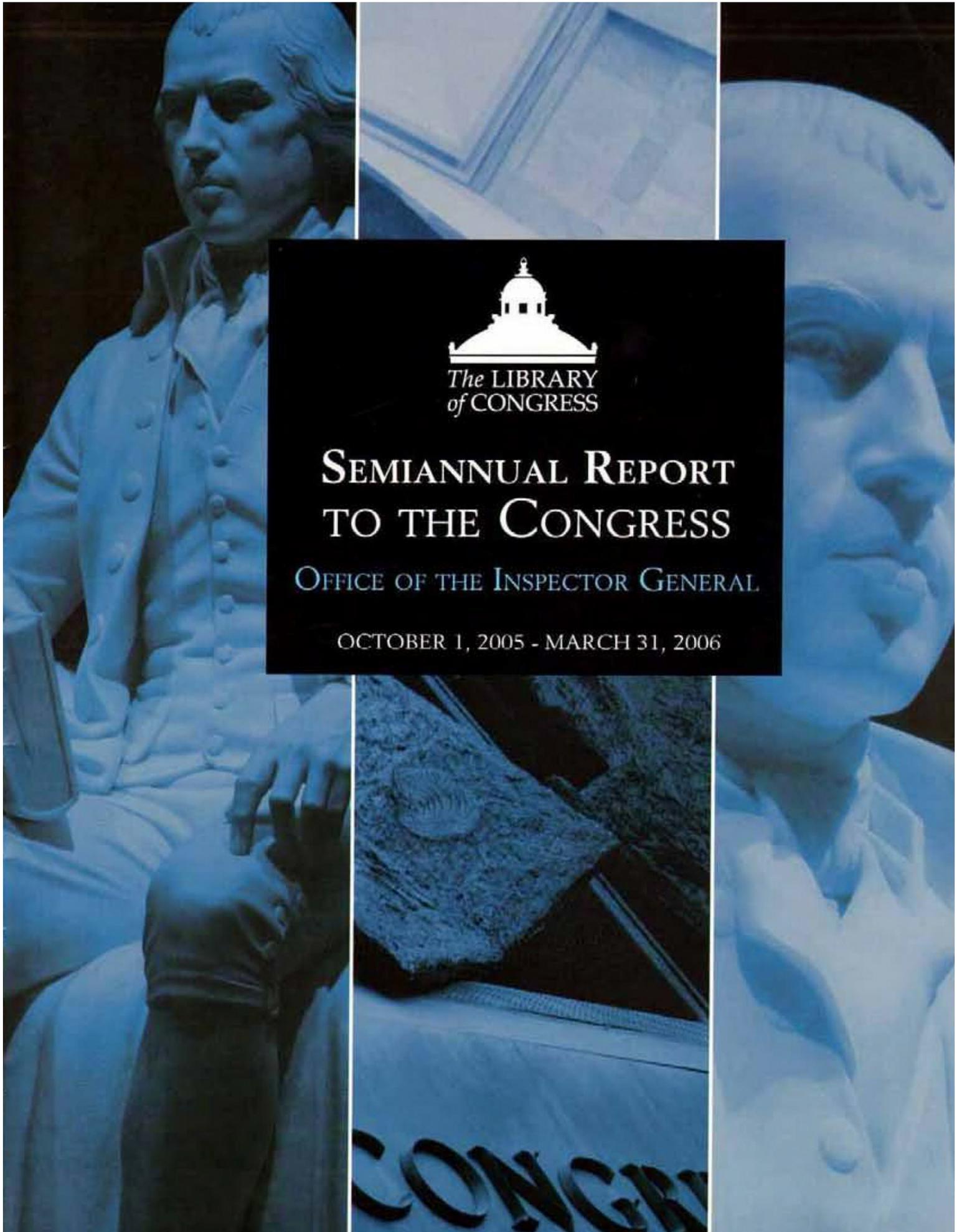


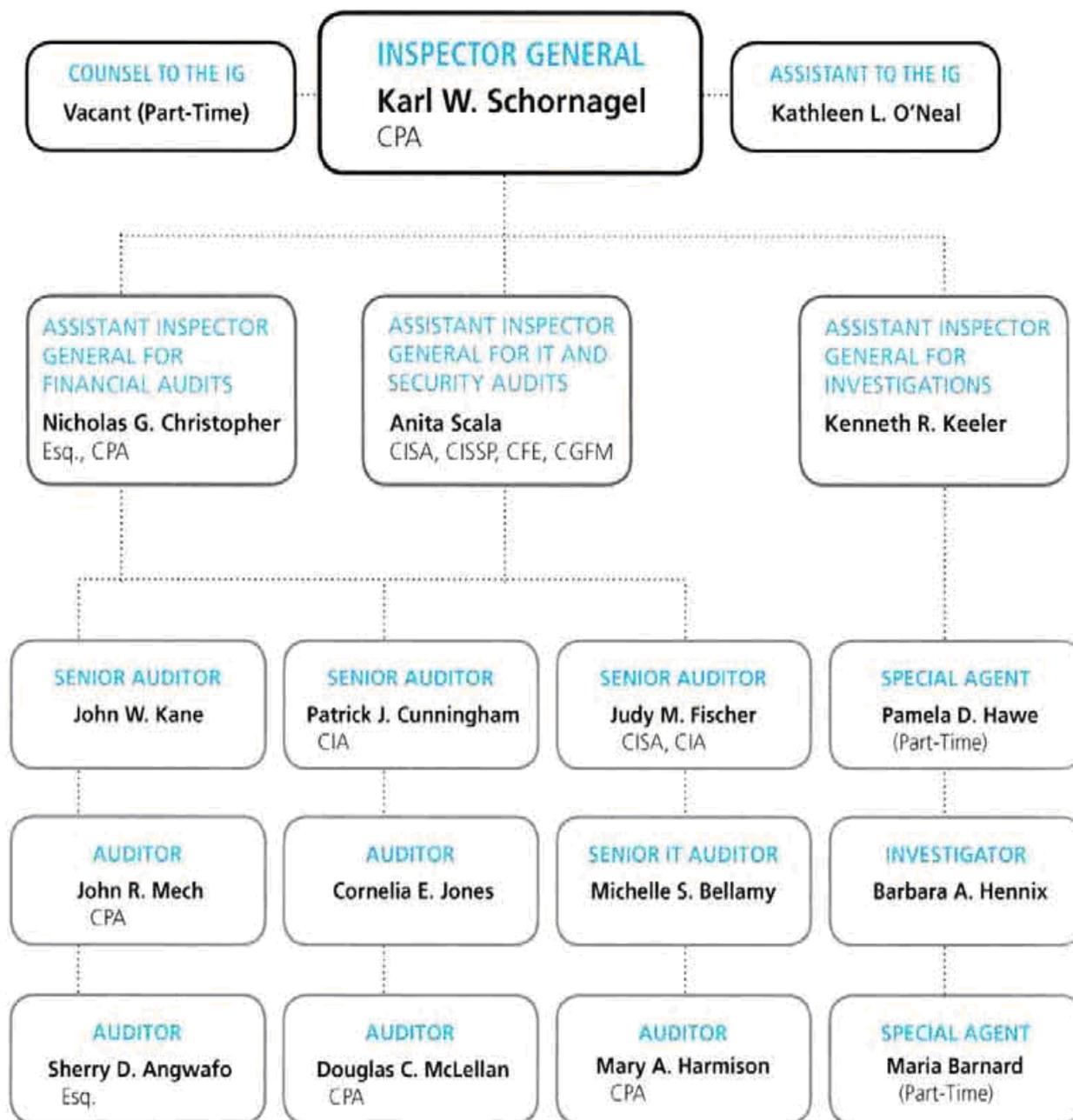
The LIBRARY
of CONGRESS

SEMIANNUAL REPORT TO THE CONGRESS

OFFICE OF THE INSPECTOR GENERAL

OCTOBER 1, 2005 - MARCH 31, 2006







The LIBRARY of CONGRESS

April 28, 2006

A MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to present our Semiannual Report to the Congress for the period ending March 31, 2006.

In the last six months we prepared reports on the topics of emergency preparedness, collections security in the Geography and Map Division, transportation services, the Management Control Program, conversion of financial balances to the new financial system, fiscal year (FY) 2005 financial statements of the James Madison Council Fund, and inspections of the Cairo and New Delhi field offices. We also followed up on our FY 2004 audit of police management, issued a report on indirect cost rates and overcharges to the Library's Adventure of the American Mind grant program, provided negotiation support to the National Library Service for the Blind and Physically Handicapped (NLS), and conducted several investigations. Finally, we testified before Congress regarding the FY 2007 Library budget, placing particular emphasis on our concerns about the costs of the Library's proposed logistics center at Fort Meade.

We are pleased that our reports, along with the concerted effort of NLS to implement our recommendations, resulted in \$3.7 million being put to better use in FY 2006 and \$15.7 million that will be put to better use in FY 2007.

In the next six months, we will report on in-progress reviews of the Library's collections acquisition program, budget preparation operations, human resources policies, conversion to the new generation of digital talking books, information technology issues, the Library's FY 2005 financial statements audits, a scheduled follow-up on our 2004 audit of the utilization of reading rooms, reviews of contracts, and other topics as needed.

This was our first full semiannual period since Congress passed the Library of Congress Inspector General Act of 2005, conferring statutory standing to our office. A few growing pains later, we look forward to a continued harmonious relationship with Library management, and appreciate the support and cooperation extended to our staff.

Karl W. Schornagel
Inspector General

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INTRODUCTION

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

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

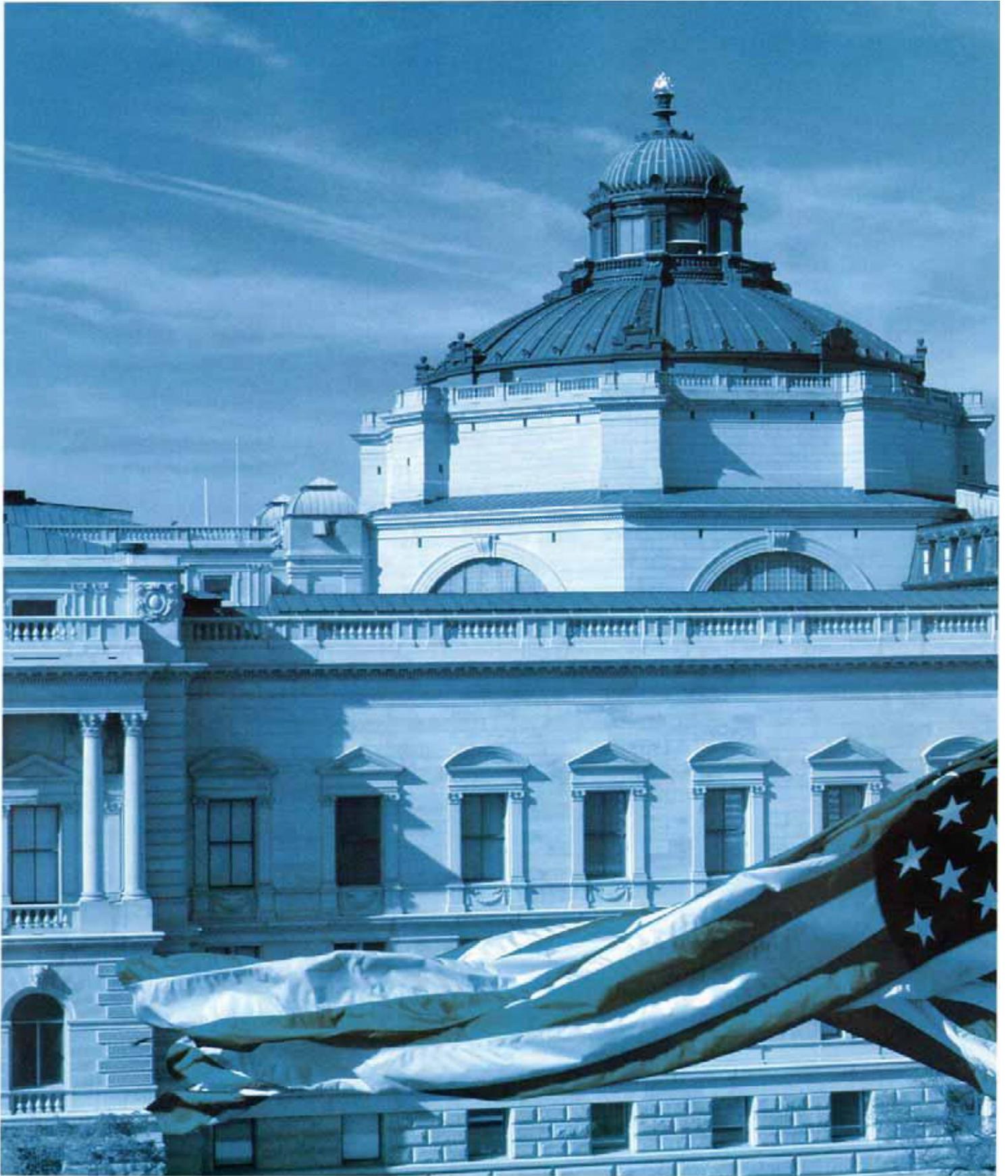
Additionally, we lend our expertise on a consulting basis to many Library offices and external organizations. We are currently working with the Center for Research Libraries in an advisory capacity to determine an approach for auditing and certifying repositories of digital information and recently provided negotiation support to the National Library Service for the Blind and Physically Handicapped.

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

Our highly qualified staff of eleven auditors and four investigators is educated and certified in various disciplines. We are, collectively, five certified public accountants, two attorneys, two certified internal auditors, two certified information systems auditors, one certified fraud examiner, one certified government financial manager, and one librarian.

Last August, Congress enacted the Library of Congress Inspector General Act of 2005.¹ The Act increases our independence and assigns criminal investigation responsibilities to our office.

¹ Public Law 109-55, Title 1, Section 1307 (2005).



AUDITS

MANAGEMENT CONTROL PROGRAM

[Audit Report No. 2004-PA-106](#)
March 2006

The Library's Management Control Program ("MCP") was established to make managers aware of internal controls and risk in their operations, and to improve management of government resources. Managers evaluate their own operations to identify weaknesses in the design and operation of internal controls. Our audit objectives were to determine the MCP's value and the effect its findings have on Library resources. We determined that the MCP is valuable to the Library, but that some significant improvements are needed. Our findings and recommendations are summarized as follows:

- **The Process Should Be Revised to Better Identify Control Weaknesses** — The MCP 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 recommended revising the process and requiring brief written justifications for self-assessments.
- **An Automated System Should Be Implemented** — The MCP's manual processes result in errors and omissions and difficulty in correlating and cross-referencing MCP findings to the findings of non-MCP auditors. As a result, the MCP does not detect many significant deficiencies reported by other sources. We recommended automating the process.
- **Verification Reviews are Needed** — There is no independent verification that Library managers are actually correcting the deficiencies they discover. As a result, the MCP Administrator cannot positively assert that the MCP is achieving its goal to correct weaknesses. We recommended that a review process be instituted.

- **Communications Should Be Improved**—There are no documented policies and procedures and the MCP is not adequately communicating to its users the availability of training. We recommended that the MCP document its policies and procedures and establish better communications on training opportunities for its users.
- **Implementation Delays Should be Reported to the Librarian**—The resolution of findings and the implementation of corrective actions are not being acted on timely. We recommended that the MCP administrator provide quarterly reports of actions and timeframes to the Librarian. We also recommended that an independent determination be made as to whether delays in implementation are justified.

The Office of Operations Management and Training, which administers the MCP, concurred with our findings and recommendations.

SECURITY OF THE GEOGRAPHY AND MAP COLLECTIONS

[Attestation Report No. 2005-AT-903](#)
March 2006

In 1998, the OIG, with support from an expert consultant, began a series of reviews to determine the existence and condition of collection items and the storage materials used to protect them. These studies identified conditions that, if not corrected, could expose the Library's collections to high risks of loss, theft, or degradation. Since then, the Library has been instituting policy and procedural security improvements.

The OIG is continuing these reviews to monitor accountability and the condition of a wide range

of the Library's collections. This was the first such review in the Geography and Map Division. The division's collections include 5,000,000 maps, 70,000 atlases, 17,000 digital files, 8,000 reference works, and 500 globes. The Division acquires approximately 70,000 items each year of which about 60,000 of these items are added to the collections. The primary purpose of the review was to establish a baseline for future verifications, which will include testing half of the items selected for this review and a new randomly selected group of items. This method, known as paneling, utilizes cluster samples to assess individual collection items over time.

Our sample of 150 items was selected from items accessed by Library patrons over a recent three-month period. All items were accounted for and approximately 95 percent of the items were in excellent or good condition. We identified some weaknesses involving physical access controls that make the geography and map collections somewhat more susceptible to theft.

TRANSPORTATION SERVICES

[Audit Report No. 2005-PA-101](#)
March 2006

Integrated Support Services (ISS) manages the Library's vehicle fleet, providing shuttle services to the Taylor Street and Landover Center Annexes, driver services, loaner vehicles, and delivery of goods from the Landover warehouse to the Library's Capitol Hill buildings. The fleet consists of 21 vehicles: four trucks, three buses, three cargo vans, four minivans, and seven passenger cars. Most vehicles are available to staff for official business, but only personnel with a commercial vehicle driver's license can operate the larger buses and trucks. The objectives of our audit were to assess the economy and efficiency of the Library's transportation services program, and determine compliance with the Motor Carrier Safety

The audit included an evaluation of activities for FY 2005. We found that:

- **Basic Information to Effectively Manage Operations is Lacking** — ISS does not analyze utilization of its fleet of vehicles available for employee use and for driver services. Some of its vehicles were not used at all during our six-month test period. Based on our analysis of available information, the Library's fleet could be reduced by six or seven vehicles, resulting in about a 30 percent reduction in the size of the fleet and a cost savings of at least \$30,000 annually.

ISS provides shuttle service four times daily to the annexes. Our analysis of the daily logs kept by the shuttle drivers for the months of January and March 2005 disclosed that the Taylor Street shuttle carried no passengers on 77 percent of the trips in January and 34 percent in March. The Landover shuttle carried no passengers on 78 percent of the trips in January and 66 percent in March. Additional savings can be realized by eliminating any unnecessary shuttle services. ISS agreed with our recommendations to develop or acquire a system or process to analyze its operations.

- **Controls are Needed Over the Commercial Vehicle Drivers Program** — The Library does not require documentation proving that its commercial vehicle drivers have valid licenses and comply with the Motor Carrier Safety Improvement Act of 1999. During the audit, ISS developed a form to keep track of its drivers' information, but it does not perform any verifications of the accuracy of the information. The Library could incur unnecessary and significant liability for drivers operating its vehicles. ISS agreed with our recommendation to develop policies and procedures that include certifying annually that commercial drivers comply with regulations.

EMERGENCY PREPAREDNESS

Audit Report No. 2005-PA-104
March 2006

The events of September 11, 2001 dramatically highlighted the need for more effective security and improved safety for occupants of U.S. Government buildings, especially those considered national symbols or those located in high profile areas.

With the largest collection of books and other materials in the world, the Library is a significant national symbol that could be the target of a terrorist attack or receive secondary effects from an attack on the U.S. Capitol, nearby office buildings of the U.S. Senate and House of Representatives, or the U.S. Supreme Court. Not only is Library management responsible for providing life safety for about 4,000 staff members and countless other daily visitors and workers at three Capitol Hill facilities, it also has a mandate for safeguarding irreplaceable national treasures.

Recognizing the major importance of emergency preparedness to the Library's operations, the Office of the Inspector General (OIG) engaged Applied Research Associates, Inc. (ARA) to review the Library's Emergency Preparedness Program. ARA is nationally recognized for its expertise in security engineering, risk management, and disaster management planning, and has recently analyzed emergency preparedness programs for Washington, D.C.-based national organizations that are comparable to the Library in size and mission importance.

ARA reported that the Library's current Emergency Preparedness Program is still in the initial stages of development and concluded that the progress achieved to date provides a base for creating a more comprehensive program. Among several program accomplishments, ARA noted that construction of an Emergency Operations Center for the Library was recently completed and that the

Library's evacuation procedures are documented in the Employee Emergency Action Guide and meet Federal requirements. Notwithstanding these accomplishments, ARA identified several areas in the current program that could be improved, and provided ten recommendations for addressing those areas. Most significantly, ARA recommended that:

- a regulation be established that outlines requirements, defines roles and responsibilities, and designates authority for the program,
- a single, comprehensive emergency management plan document be developed that details all aspects of the program including life safety and the security and preservation of collections,
- the Library's current Emergency Preparedness Decision Matrix be simplified and clearly define the command and control structure for emergency operations,
- a Memorandum of Understanding be established between the Library and the U.S. Capitol Police that defines the role of the Police in responding to emergency incidents affecting the Library, and
- communications and training for the disabled staff and Disability Monitors be improved.

The Library's Director of Security and Emergency Preparedness agreed, or agreed in concept, with the report's findings, and recommendations.

FINANCIAL SYSTEM CONVERSION RECONCILIATION

Attestation Report No. 205-FN-503
March 2006

On October 1, 2004, the Office of the Chief Financial Officer (OCFO) successfully implemented a new financial management system. The replacement of the Library's aging Federal Financial System with the state-of-the-art Momentum Financial System (Momentum) was the culmination of a three-year effort by OCFO and its major project partners, CGI-AMS (Momentum's vendor) and the Library's Information Technology Services (ITS). The Library's decision to replace its obsolete system brought its financial system backbone into the 21st century. Momentum is a fully integrated, web-based system that greatly increases functionality, user-friendliness, and assures long-term vendor support.

Major challenges in replacing any legacy system include ensuring uninterrupted operations and the seamless transfer of historical data. OCFO's replacement efforts involved the transfer ("conversion") to Momentum of over one million accounting and procurement transactions. The major risks inherent in a system conversion include the loss of data and unintended data changes. The implementation of a new financial system with incomplete or inaccurate data could significantly impair the Library's ability to operate, make decisions, and comply with laws and regulations. In order to make sure that the converted data was complete and accurate, OCFO conducted a comprehensive reconciliation of the converted data, which served as the primary internal control to ensure the accuracy and completeness of the conversion.

Using statistical sampling techniques, our office examined the accuracy and reliability of OCFO's reconciliation and reviewed its compliance with the documented conversion strategy. We concluded that OCFO's reconciliation was accurate and complied with the strategy.

JAMES MADISON COUNCIL FUND FINANCIAL STATEMENTS

Fiscal Year 2005

The James Madison Council is an advisory body of public-spirited individuals who contribute ideas, expertise, and financial support to promote the Library's collections and programs. The James Madison Council Fund (Fund) was established in 1989 to encourage contributions not only for current programs, but permanent endowments that will impact the collections and programs in the future. Gifts to the Fund totaled \$1.6 million in FY 2005 and \$149.1 million since 1990.

Under contract with the OIG, the accounting firm of Kearney & Company audited the Fund's FY 2005 financial statements and issued its Independent Auditor's Report. The audit included the Fund's statement of financial position as of September 30, 2005, and the related statements of activities and cash flows. The auditors concluded that the financial statements were presented fairly in all material respects, and in conformity with generally accepted accounting principles. The auditors found no material weaknesses in internal controls over financial reporting. The auditors did, however, find one instance of noncompliance reportable under Government Auditing Standards: the Fund was not in compliance with certain safety conditions specified under the Congressional Accountability Act of 1995. The instance of non-compliance with safety conditions, however, is the responsibility of the Architect of the Capitol (AOC) and the Library of Congress, which provides premises for the Fund's operations. The Library has remediated the vast majority of the instances of non-compliance under this Act that are its responsibility; the remaining instances are the responsibility of the AOC.



INVESTIGATIONS

During this reporting period, we opened 43 investigations and closed 30. We referred six cases to the U.S. Attorney General for prosecution, obtained one criminal conviction, and recovered approximately \$2,200 in cash and property. We also forwarded four cases to the Library's Human Resources Services for administrative action. Case and Hotline activity are detailed below.

TABLE 1: INVESTIGATION CASE ACTIVITY

	CRIMINAL/CIVIL	ADMINISTRATIVE	TOTAL
Beginning of Period	8	7	15
Opened	12	31	43
Closed	12	18	30
End of Period	8	20	28

TABLE 2: HOTLINE ACTIVITY

	COUNT
Allegations Received	13
Referred to Management for action	-
Opened as investigations	3
Closed with no action	10

SIGNIFICANT CRIMINAL AND ADMINISTRATIVE INVESTIGATIONS

Embezzlement of Union Funds

OIG Special Agents obtained documents from the Department of Labor regarding a CRS employee's conviction for embezzling \$17,588 from the Congressional Research Service Employee Association. The employee pled guilty and was sentenced to one year supervised probation with 100 hours of community service. The documents enabled management to establish a nexus between the employee's criminal conduct and her Library employment, and remove the employee from her position.

Thief Posed as Library Employee

A woman posing as a Library employee stole a laptop computer from a Library office. OIG Special Agents later observed the woman on videotape as she exited the office with the computer. She fit the description of a woman who had previously stolen cash from several Library employees. Evidence led Special Agents to an apartment in Washington, D.C. where they identified the woman. She had an extensive criminal record for violent crimes and similar thefts at other Federal agencies. A task force of several law enforcement agencies recovered the Library's stolen computer along with other stolen property from the woman's apartment. She was sentenced to 50 months in prison and three years supervised release for Burglary II and destruction of property for the computer theft and theft offenses at the other Federal agencies.

Laptop Theft Sting

During a prior reporting period, OIG Special Agents conducted a sting operation to catch the person responsible for several Library laptop computer thefts. The operation resulted in the arrest of a Library contractor's employee who pled guilty to Burglary II. He was sentenced to two years' probation and \$1,750 restitution, which he paid to the Library during this reporting period.

Theft of Library Computers

Several Library sources reported information alleging that a GS-13 Library employee was stealing and selling Library computers, selling copyright-infringed DVD movies, and distributing pornography through the Library's email system. Our investigation revealed that the employee had sold at least three Library of Congress computers, sold copyright-infringed DVD movies to Library employees, and participated in distributing email messages featuring explicit nudity.

An Assistant U.S. Attorney declined to prosecute the theft. OIG Special Agents referred the evidence to Library management who proposed removal of the employee. The employee exercised his bargaining unit right to request alternative punishment. The Library permitted the employee to take early retirement, in lieu of removal, in exchange for information about thefts at the Library's Landover Center Annex.

Misuse of Government Equipment

A Library employee reported information to the OIG alleging that someone had accessed her email account and forwarded a message from the account to another Library employee. The OIG collaborated with the Library's GroupWise E-mail Administrator to gather evidence. The evidence implicated a GS-14 Library employee who knew the complainant's e-mail password and had an ongoing feud with the employee. Special Agents interviewed the employee who provided a sworn affidavit admitting the unauthorized access. Agents referred the evidence to an Assistant U.S. Attorney who declined to prosecute. The OIG referred the case to management who proposed suspending the employee for 30 days. A final decision is pending.

Missing Collections Material

A Library official reported eight missing boxes of photographs that were shipped from a contractor's out-of-state storage facility to the Prints and Photographs (P&P) Reading Room. A joint investigation by the OIG and the contractor revealed that the photographs were delivered to the wrong site. The contractor's delivery service failed to communicate with the Library recipient before leaving the boxes in a hallway. Special Agents conducted a Library-wide search for the missing photographs without success. P&P officials estimated the loss at about \$50,000. The OIG referred the matter to the Library's Office of General Counsel.

Employee Attempts to Destroy Library Books

A Library Police Officer notified the OIG that an employee had thrown Library books into a trash bin. Our investigation identified the employee and disclosed that he had placed at least 23 books, valued at \$965, into a trash bin after returning from medical leave. The employee explained that he was feeling overwhelmed with work when he threw the books into the trash. We referred the matter to Library management for administrative action. A final decision is pending.

Book Recovered

A private party reported that he found a book marked with a Library of Congress stamp in the attic of a house he had recently purchased. The book, *Hoyles Standard Games*, published in 1926, is valued at about \$400-\$500, and had been declared missing in July 1983. The OIG returned the book to the Library. The previous homeowners could not be located.

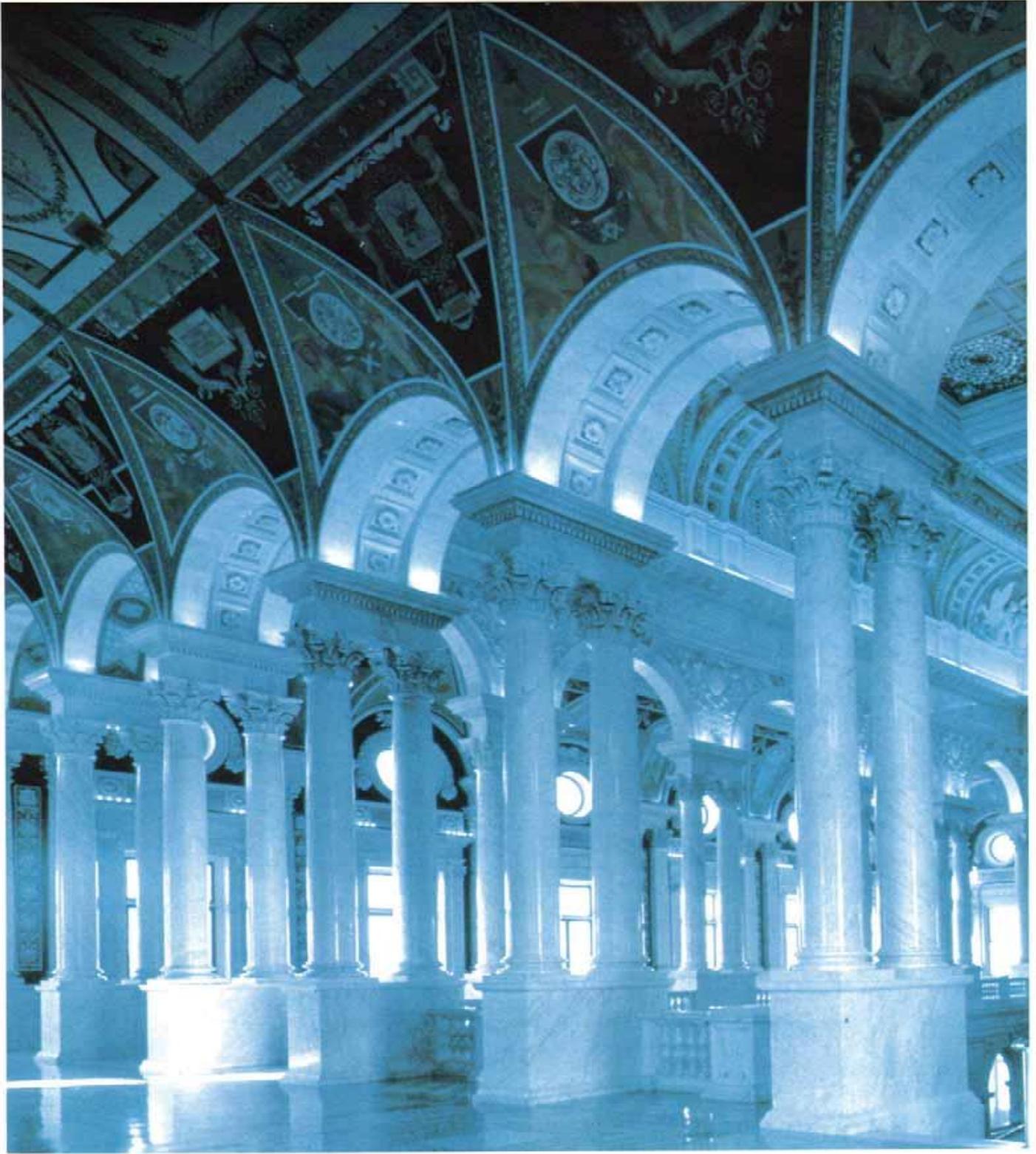
Proactive Initiative: Security Briefing

The OIG initiated a collaborative effort with the Library's Personnel Security Officer, Congressional Research Service (CRS) officials, and the Federal

Bureau of Investigation to present a security briefing for CRS employees holding security clearances. We encouraged this effort after learning that two CRS employees had provided a CRS report to a foreign Embassy official without management's permission and had questionable social contact with the official.

Internet Surveillance

The OIG routinely monitors Internet auctions and similar sites for sales of Library property, including collections material. During the reporting period we identified several talking book playback machines for sale that were issued to participants in a program sponsored by the Library's National Library Service for the Blind and Physically Handicapped (NLS). In these cases we instructed the seller to remove the item from auction and return it to NLS.



FOLLOW-UP ON PRIOR PERIOD RECOMMENDATIONS

Effecting positive management change in Library programs and activities requires a four-phase approach: (1) identifying areas that could benefit from OIG reviews, then planning audits, (2) conducting audits and reporting the results, (3) obtaining agreement from Library managers to take action to resolve recommendations, and (4) following up to determine that implementation has occurred. Significant recommendations from previous semiannual reports on which corrective action has not been completed are contained in Table 3 on page 16.

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

MANAGEMENT OF EEOC PROGRAM NEEDS STRENGTHENING

Audit Report No. 2001-PA-104-EEOCO February 2003

The Library's Workforce Diversity Director, who oversees the Library's EEO program, implemented all of our recommendations except one. The Director's implementations resulted in the following corrective actions: The Equal Employment Opportunity Complaints Office received reporting independence, it has an automated tracking system, and EEO counselors and investigators now receive at a minimum eight hours of professional training annually.

The only unimplemented recommendation is to revise the Library of Congress Regulation (LCR) 2010-3.1, *Resolution of Problems, Complaints, and Charges of Discrimination in Library Employment and Staff Relations under the Equal Employment Opportunity Program*. The Director revised the LCR, but it has not been formally approved for implementation. The revision mirrors 29 CFR § 1614, (the Equal Employment Opportunity

Commission's equivalent regulations), and aligns the Library's EEO process with that of other Federal agencies. When implemented, LCR 2010-3.1 will result in the following alignment changes: The complainant's right to the alternative dispute resolution process will not be restricted to the informal counseling stage, the timeframes and procedures for filing complaints will be in calendar days instead of work days, and disciplinary action will be recommended if employees fail to fully cooperate in the EEO process.

We will continue our follow-up when LCR 2010-3.1 is approved.

MANAGEMENT OF DRC PROGRAM NEEDS STRENGTHENING

Audit Report No. 2002-PA-104-DRC September 2003

The Library's Workforce Diversity Director, who oversees the Library's Dispute Resolution Center (DRC), implemented most of our recommendations, instituted an alternative to one recommendation, and provided partial corrective action to the remaining recommendation. The Director implemented an automated tracking system (REMEDY) for disputes, and developed written standard operating procedures and policy for a centralized filing system. As an alternative to our recommendation that DRC conveners conduct a Library-wide dispute resolution training program, an online course was made available to all staff. We believe this action addresses our recommendation in a cost effective manner.

Corrective action to revise the Library's LCR 2020-7, *Policy and Procedures for Using the Alternative Dispute Resolution Process to Resolve Disputes* is underway. The Director amended the regulation's language to advise managers that

their delayed actions during the dispute resolution process could affect their performance evaluations, and EEO complainants can use the alternative dispute resolution process during the formal EEO complaint stage. The revised LCR is currently being reviewed by Library management.

We will continue our follow-up when LCR 2020-7 is approved.

MANAGEMENT AND OVERSIGHT OF THE LC POLICE FORCE

[Audit Report No. 2003-PA-105](#)
[August 2004](#)

Our report made a number of recommendations to improve the management of the Library's Police Force. We conducted our first follow-up in June 2005. At the time, we determined that we could not adequately assess the effectiveness of management's action because, in some cases, more time was needed to fully implement the recommendations and in others, insufficient time had elapsed since the implementation of those actions. Therefore, we conducted this second follow-up.

In our first follow-up, we concluded that transforming and enhancing the Library's Police management and accountability framework is a difficult and long-term process. Now, more than a year after we first issued our original audit report, we found that Police management has made significant progress toward meeting its goals. Notwithstanding this progress, Library Police Force standards and practices are not yet comparable to those of the U.S. Capitol Police (USCP).

In December 2004, the Library and the USCP signed a Memorandum of Understanding to provide for the temporary detail of USCP personnel to the Library, including a USCP

management official (the "Inspector") to "command, direct, and supervise operations and personnel of the LOC police." Our interviews indicated that the Inspector is fully managing the Library police force and the Library has included the Inspector in all decision-making affecting police, security, and emergency preparedness. The Library should, however, involve the Inspector more with the police budgetary process, particularly in the planning and allocation phases.

Since our first follow-up, management completed the review and revision of all the General Orders, using the USCP General Orders as a model. The Inspector has reviewed the revisions and is recommending additional changes to conform to the USCP standards. Specifically, the Inspector is recommending the Library incorporate the USCP administrative and operations manuals and develop standard operating procedures for each post. Library management has taken no action to implement our recommendation to use strategic planning to articulate a mission and goals for all levels of the organization, measure progress toward those goals, and ensure accountability for results.

Although management agrees a plan is necessary, it believes this undertaking is pointless until the Congress makes a decision about the future of the Library Police Force. We believe that without a plan, Library Police will not have direction, goals, and milestones to achieve, whether or not a merger occurs.

As we concluded in our first follow-up, the Library continues to be on the right track to effect organizational change and greatly improve the quality of its Police Force. However, the long deliberations and analysis concerning the pending merger of the Library and the USCP forces, and rumors as to how the merger may

transpire are negatively affecting police morale. This uncertainty about the future of the Library Police is disillusioning a number of police management officials and officers, and fostering an atmosphere of anxiety and distrust.

MOMENTUM FINANCIAL SYSTEM CERTIFICATION & ACCREDITATION

[Audit Report No. 2002-IT-301](#)
[September 2005](#)

Information system Certification and Accreditation (C&A) is the process of designing, testing, and evaluating security for information systems. The Library implemented its new financial management system (Momentum) at the beginning of FY 2005. Library management designated Momentum as the first system to undergo the C&A process. We audited this process.

Our audit found deficiencies in the Momentum C&A. These deficiencies included:

- lack of independence of the certification agent,
- implementation of the system prior to C&A completion,
- failure to completely test and document the C&A, and
- implementation of the system without a quality review of the C&A.

Management responded to the recommendations by taking corrective action, including alternative actions when it was unable to implement our recommendations due to resource limitations. The actions management took as a result of our audit improved not only the C&A but also overall computer security at the Library.



Unimplemented Recommendations

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

SUBJECT	REPORT NO. AND ISSUE DATE	SERVICE UNIT	REC. NO.	SUMMARY OF RECOMMENDATIONS
Office of the Librarian				
Contracts	2003-PA-103 March 2004	Contracts Office	IV (2)	Revise the Purchase Card manual so that the coordinator is responsible for sending revisions and supplements to the General Counsel for web postings.
Succession Planning	2004-PA-105 March 2005	Office of the Librarian	I.1	Mandate a Library-wide succession planning program that endows Human Resources Services with a strong leadership role.
Grants	2005-FN-501 Sept. 2005	Grants Office	I, II, III	Correct deficiencies in the planning, performance, and documentation of ERC's FY 2002 Single Audit.
Learning/Training	2003-PA-104 March 2004	Operations Management and Training	I.F.	Perform annual training needs assessments based on an updated mandatory training directive.
Learning/Training	2003-PA-104 March 2004	Operations Management and Training	I.G.	Establish new supervisory training requirements.
Learning/Training	2003-PA-104 March 2004	Operations Management and Training	I.H.	Revise Library training evaluations and perform a follow-up evaluation to determine if the trainee is applying the course contents in their daily work.
Learning/Training	2003-PA-104 March 2004	Operations Management and Training	H.	Develop a budget standard for training based on needs.
Learning/Training	2003-PA-104 March 2004	Operations Management and Training	III.3	Incorporate in the 2017 LCRs [or directives] the central collection of training data.
Office of Strategic Initiatives³				
FY 2004 Financial Statements/ Info. Technology	2004-FN-502 February 2005	Information Technology Services	1	Fully implement an entity-wide security program.

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

Subject	Report No. and Issue Date	Service Unit	Rec. No.	Summary of Recommendations
Integrated Support Services				
Inventory and Equipment Management	2004-PA-103 March 2005	ISS	I.2	Re-evaluate space needs for the future warehouse planned at Ft. Mead. ²
Library Services				
Utilization of Reading Rooms	2003-PA-104 March 2004	Library Services	II.2	Standardize reading room usage measurement criteria and analyze utilization to determine the best use of any underutilized reading room space.
Office of Security and Emergency Preparedness				
Management of Police	2003-PA-105 August 2004	OSEP	53, 54	Develop a mission statement and engage in a greater level of strategic planning.

² Integrated Support Services is in the final stages of implementing this recommendation.

³ (a) The Library's external auditors modified and consolidated current and prior year financial statements findings into the one finding shown here. (b) Due to the implementation of the Library's new financial system, the auditors' opinion on the Library's 2005 financial statements was not released by March 31, 2006. (c) According to Information Technology Services, substantial progress was made during FY 2005 toward implementing these recommendations. The external auditors are currently reviewing documentation supporting this assertion.

INSTANCES WHERE INFORMATION OR ASSISTANCE REQUESTS WERE REFUSED

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

FUNDS QUESTIONED OR PUT TO BETTER USE

TABLE 4: AUDITS WITH RECOMMENDATIONS FOR BETTER USES OF FUNDS

REPORTS...	NUMBER	VALUE
...for which no management decision was made by the start of the period.	-	-
...issued during the period.	-	-
Subtotal	-	-
...for which a management decision was made during the reporting period.		
Value of recommendations agreed to by management.	2	\$19.4M
Value of recommendations not agreed to by management.	-	-
...for which no management decision was made by the end of the reporting period.	-	-
...for which no management decision was made within six months of issuance.	-	-

Explanatory Notes

(A) We issued an audit report in March 2006, "Increased Management Attention to Transportation Services Can Result in Savings," Audit Report No. 2005-PA-101 (see page four) that found that the Library leases at least six automobiles that it doesn't need. These vehicles cost the Library approximately \$30,000 annually.

(B) We followed up on our August 2003 audit of cassette playback machines at the National Library Service for the Blind and Physically Handicapped (NLS) titled "Economies Are

Available in *Managing NLS Cassette Playback Machine Inventory*," Audit Report No. 2001-PA-101. In summary, we recommended that NLS:

(1) perform a structured requirements analysis of playback machine supply and demand prior to the FY 2003 contract award, and use successive annual analyses as input for determining new machine purchase quantities, and (2) increase the cassette machine repair contract to accommodate reductions in new machine purchases.

Management Decision

NLS hired a contractor to conduct an independent study of supply, demand, and a machine repair strategy. NLS adopted the contractor's recommendations and is now buying fewer machines: 8,000 fewer in 2006 and none in 2007 (which represents a reduction of 50,000). Further, we provided cost analysis and negotiation strategy support that resulted in a reduction of about \$30.00 in cost per unit for FY 2006. Not shown in the potential savings is the increased future cost of repairs, which cannot be accurately calculated at this time. We calculated the cost savings as follows:

SAVINGS RESULTING FROM...	2006	2007
... OIG assistance to NLS with price negotiations	\$1.2 m	-
... reductions in purchase quantities	\$2.4 m	\$15.7 m
Total	\$3.6 m	\$15.7 m

TABLE 5: AUDITS WITH QUESTIONED COSTS

REPORTS...	REPORTS	VALUE
...for which no management decision was made by the start of the period.	-	-
...issued during the period.	1	\$102K
Subtotal	1	\$102K
...for which a management decision was made during the reporting period.		
Value of recommendations agreed to by management.	1	\$102K
Value of recommendations not agreed to by management.	-	-
...for which no management decision was made by the end of the reporting period.	-	-
...for which no management decision was made within six months of issuance.	-	-

Explanatory Notes

The \$102,000 represents the approximate amount of disallowed indirect costs charged by the Education and Research Consortium of Western North Carolina, Inc. to the Library’s “Adventure of the American Mind” and “North Carolina Telecommunications Project” grants in FY 2002 through FY 2004. See page 22 for a description of this project

STATUS OF RECOMMENDATIONS WITHOUT MANAGEMENT DECISIONS

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

SIGNIFICANT REVISED MANAGEMENT DECISIONS

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

SIGNIFICANT MANAGEMENT DECISIONS WITH WHICH OIG DISAGREES

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

OTHER ACTIVITIES

EDUCATION AND RESEARCH CONSORTIUM OF WESTERN NORTH CAROLINA, INC. (ERC)

INDIRECT RATES AND OVERCHARGES TO THE AAM GRANT

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

We evaluated ERC’s indirect rates for FY 2002 through FY 2004. During a prior audit, we found that ERC incorrectly charged all indirect costs to the AAM grant because in these years it lacked a method to allocate indirect costs. We recommended that ERC develop a rate to allocate indirect costs to the various ERC administered Federal awards, including the Library’s awards. We utilized ERC’s newly determined indirect rates to calculate that it had previously overcharged the AAM grant by \$101,747 and asked for a refund of this amount. The ERC Director and the Library agreed.

INSPECTION OF THE CAIRO FIELD OFFICE

INSPECTION REPORT NO. 2005-FN-505 MARCH 2006

We performed an inspection of the Library’s Cairo, Egypt, Field Office.

The field office is a part of the Library’s Cooperative Acquisitions Program (CAP) and collects materials in several African and Middle Eastern nations.

The office is housed in the American Embassy in Cairo and receives logistical support from the State Department.

Our objectives were to determine if key internal controls were in place and operating. The purpose of the inspection was to support the CAP’s financial statements audit.

As a whole, we found the key internal controls we tested to be operating. We noted three reportable control weaknesses.

- The Field Office sends blank “Purchase Orders” to its vendors. We recommended that the field office cease this practice. The field director agreed with our recommendation.
- The Field Office did not reconcile or review certain payroll information. We recommended that the office regularly reconcile and review this information. The field director agreed with our recommendation.
- We found a shortage in the field office’s petty cash fund, and also found that it was denominated in two currencies, making it difficult to accurately value the fund. We recommended that the fund be redenominated subject to the practices of the State Department, which controls logistical issues such as this. The field director initially agreed to our recommendation, but upon consultation with the State Department, found that it would be contrary to standard practice. We agreed to withdraw our recommendation subject to certain conditions.

INSPECTION OF THE NEW DELHI
FIELD OFFICE

INSPECTION REPORT NO. 2005-FN-504
MARCH 2006

We performed an inspection of the Library's New Delhi, India, Field Office.

The field office is a part of the Library's Cooperative Acquisitions Program (CAP) and collects materials in several Asian nations. The office is housed in the American Center in New Delhi and receives logistical support from the State Department.

Our objectives were to determine if key internal controls were in place and operating. The final product of the inspection was to support the CAP's financial statements audit.

As a whole, we found the key internal controls we tested to be operating. We noted three reportable control weaknesses.

- The Field Office was allowing certain key employees to share computer passwords. We recommended that software be installed on both of these employees' computers and that password sharing be stopped. The Field Director agreed with our recommendation.
- The Field Office did not reconcile or review certain payroll information. We recommended that the field office periodically reconcile and review this information. The field director agreed with our recommendation.
- We found that potential for fraud existed in the shipping department. We recommended that the field office change certain practices, which would reduce or eliminate the potential for fraud. The field director agreed with our recommendation.

COMPUTER SECURITY COORDINATION
GROUP PARTICIPATION

The OIG serves as an advisor to the Computer Security Coordination Group (CSCG). The CSCG provides Library management with recommendations and oversight on computer security relating to technical, personnel, administrative, environmental, and telecommunications issues. In FY 2006, the CSCG reviewed and made recommendations on the following: (1) the CSCG Charter, (2) three revised security directives, (3) computer security policy, (4) the IT security program, (5) the IT Security Program Strategic Plan, and (6) the Library's IT Security Plan. We also provided comments on the revised IT Security On-Line Awareness Training program. In November 2005, the Library appointed a Chief IT Security Officer. The OIG is encouraged that further security initiatives are planned to enhance the security and controls of the Library.

REVIEW OF LEGISLATION AND REGULATIONS

TABLE 6: REVIEW OF LIBRARY OF CONGRESS REGULATIONS

LCR REVIEWED	COMMENTS BY THE OFFICE OF THE INSPECTOR GENERAL
<p>LCR 213 Functions and Organization of Library Services</p>	<p>Library Services will be replacing 47 regulations with one that defines organizational responsibilities of its senior management team. The new regulation will be supplemented by comprehensive postings on the staff intranet. We agreed with the proposed changes and made only minor changes to the regulation.</p>
<p>LCR 1511 Planning, Budgeting, and Program Performance Assessment</p>	<p>The Library drafted a new regulation on planning, budgeting, and program performance assessment that adopts the spirit but not specific provisions of the Government Performance and Results Act (GPRA). The Library will be constructing and posting supplemental guidance at a later date. We advised Library management that this regulation is too abbreviated to ensure implementation of full performance-based budgeting. We urged construction and implementation of directives that adopt GPRA's specific provisions in the near future.</p>
<p>LCR 1710 Travel at the Expense of the Library</p>	<p>We suggested adding a searchable index of travel terms and automated links to other sources of guidance.</p>
<p>LCR 1815-1 Reporting Missing or Stolen Property</p>	<p>We suggested differentiating between the responsibilities of the property custodian and the Library office with asset tracking responsibilities.</p>
<p>LCR 2010-19 Intermittent Employment</p>	<p>We suggested that the Library confirm the legal sufficiency of provisions of this regulation that establish policy on offering permanent positions to intermittent employees.</p>
<p>LCR 2013-17 Severance Pay</p>	<p>To establish an easier and less expensive way to maintain this regulation, we suggested that the Library insert a hyper-link to federal regulations on severance pay.</p>
<p>LCR 2015-13.2 Voluntary Leave Bank</p>	<p>We suggested improved separation of duties and management oversight of a proposed voluntary leave bank.</p>
<p>LCR 2010-6 Policies and Procedures Governing the Appointment of Honorary Consultants</p>	<p>We suggested modifications to establish better management accountability for expenses incurred by honorary consultants.</p>
<p>LCR 2015-3 Responsibility for Time and Attendance and Leave Functions</p>	<p>We do not believe it is necessary to maintain a Library of Congress regulation on routine functions such as timekeeping.</p>
<p>LCR 2023-3 Outside Employment and Activities</p>	<p>We suggested that the Library clarify whether employees must obtain approval prior to accepting paid teaching positions.</p>
<p>LCR 2025-4 Staffing of the Library in the Event of General Dismissal Authorization</p>	<p>We suggested that notification responsibility be transferred from Human Resources Services to the Office of Security and Emergency Preparedness.</p>

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However, providing your name and a means of communicating
with you may enhance our ability to investigate.*

